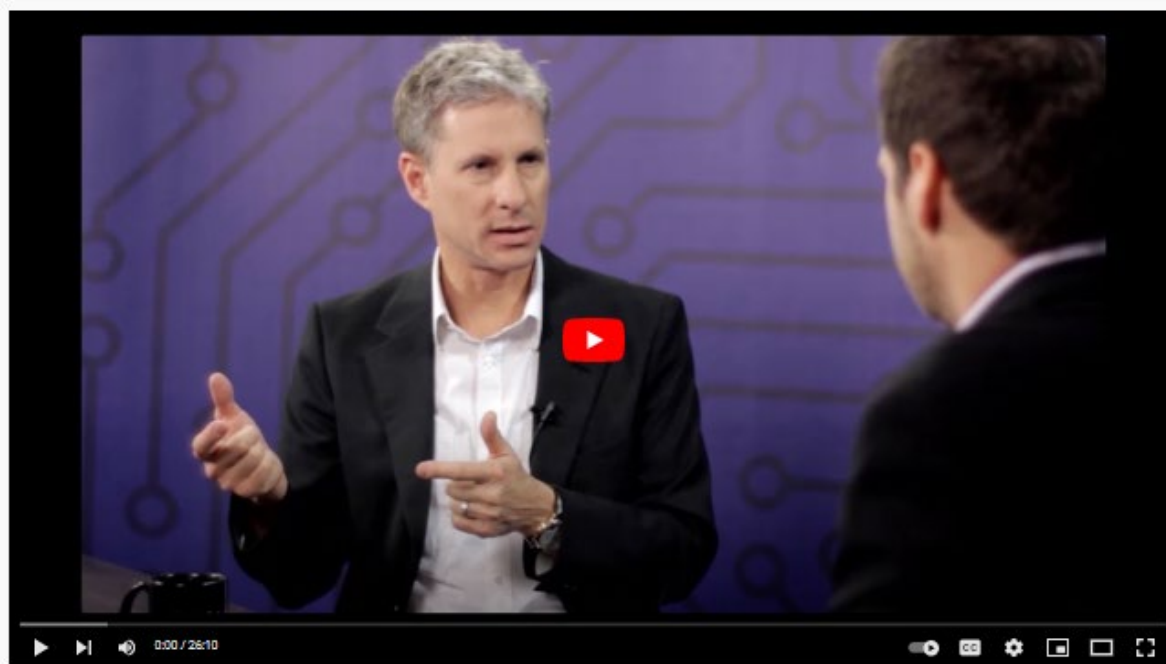


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Interview with Chris Larsen, 2/19/2014, via Money and Tech

[https://www.youtube.com/watch?v=\\_SpdX36p6ao](https://www.youtube.com/watch?v=_SpdX36p6ao)



#### Chris Larsen discusses Ripple

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1 THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION

2

3 In the Matter of: )

4 ) File No. NY-09875-A

5 RIPPLE LABS, INC. ) AMENDED 9-9-2022

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7 SUBJECT: Chris Larsen discusses Ripple

8 <http://www.youtube.com/watch?v=SpdX36p6ao>

9 PAGES: 1 through 24

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VIDEO TRANSCRIPTION

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C O N T E N T S

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5 Video File

PAGE

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7 Chris Larsen discusses Ripple

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1 P R O C E E D I N G S

2 <http://www.youtube.com/watch?v=SpdX36p6ao>

3 MR. KENNA: On this episode of Money and Tech,  
4 Charlie Shrem's arrest, Bitcoin in space, Russian banks get  
5 tough, the New York virtual currency hearings, Tiger Direct  
6 takes Bitcoin, and we talk to Chris Larsen about Ripple.  
7 Hello, I'm Jered Kenna, and you're watching Money and Tech.

8 This being our first episode, I'll give you a  
9 little background on who I am and what we'll be bringing to  
10 you on a regular basis. I've been following Bitcoin since  
11 the beginning in 2009. I started the first Bitcoin exchange  
12 in the United States and I've witnessed firsthand all the  
13 ups and downs. Money and Tech is a hub for the latest  
14 financial tech news. Every week, we'll be featuring a  
15 different guest, from industry leaders and experts to  
16 innovators in the digital currency space.

17 This episode, we'll be speaking with Chris Larsen,  
18 founder of Ripple Labs, the company behind Ripple. Ripple  
19 is a distributed payment system that is both very similar  
20 and yet very different than Bitcoin.

21 Before we speak with Chris, here's what happened  
22 this week in Money and Tech.

23 Amendments introduced in the Russian Parliament  
24 caused a stir in the Bitcoin community. Russian regulators  
25 are, of course, keeping a close eye on digital currencies,

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1 as is the rest of the world. The Russian Central Bank  
2 stated on Monday that virtual currencies are illegal under  
3 Russian banking law and users may become involved in illegal  
4 activity, including money laundering and financing  
5 terrorism.

6 Meanwhile, Germann Gref, the CEO of Sberbank,  
7 Russia's largest bank, urged regulators not to restrict  
8 anonymous online payment systems. Gref was Russia's economy  
9 minister for two terms under Vladimir Putin. At the World  
10 Economic Forum, Gref was quoted saying that virtual  
11 currencies are a very interesting global experiment that  
12 breaks the paradigm of currency issuance and to ban their  
13 issue would be a colossal step backwards. Clearly, Russia  
14 is divided on digital currencies and the future is yet to be  
15 determined.

16 Bitcoin is going to the moon. But to be more  
17 precise, you can now buy a ride on Virgin Galactic with  
18 Bitcoin. At least six tickets have been purchased so far  
19 with the digital currency since Richard Branson's  
20 announcement.

21 Tiger Direct took the Bitcoin plunge and now

22 allows you to check out via BitPay. This makes Tiger Direct  
23 the second major online retailer to accept Bitcoin, right  
24 behind Overstock.com, which started accepting payments in  
25 Bitcoin earlier this month. The rush to accept Bitcoins has

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1 been obvious in many adult websites, as well as at some Las  
2 Vegas casinos.

3 On Tuesday, during a hearing put on by the New  
4 York Department of Financial Services, Benjamin Lawsky, New  
5 York's superintendent of financial services, stated that  
6 during the course of 2014, they will put forward a proposed  
7 regulatory framework for virtual currency firms operating in  
8 New York. The New York DFS is evaluating whether they  
9 should issue a bit license to companies dealing in digital  
10 currencies. The hearing also heard testimony from Fred  
11 Wilson of Union Square Ventures, Jeremy Liew of Lightspeed  
12 Ventures, a Silicon Valley based VC firm active in the  
13 Bitcoin space, and Tyler and Cameron Winkelvoss.

14 Finally, Charlie Shrem, a high-profile member of  
15 the Bitcoin community, CEO of Bitinstant, the New York  
16 Bitcoin exchange that received investment from Winkelvoss  
17 Capital, and vice chairman of the Bitcoin Foundation, was  
18 arrested Monday as he landed in JFK. Shrem has been charged  
19 with conspiracy to commit money laundering and unlawful  
20 money transmission in connection with the Silk Road.

21 Allegedly, Shrem sold over \$1 million worth of  
22 Bitcoin to Silk Road users. He is currently out on bail  
23 awaiting trial.

24 On a personal note, this arrest comes as a huge  
25 surprise. I've been friends with Charlie for several years

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1 and find it hard to believe that he was involved with the  
2 Silk Road in any capacity. We will be following this very  
3 closely.

4 We will be right back with our interview with  
5 Chris Larsen and Ripple, so stay tuned.

6 Welcome back to Money and Tech. we're here with  
7 Chris Larsen, CEO of Ripple Labs. Welcome to the show,  
8 Chris.

9 MR. LARSEN: Thanks for having us.

10 MR. KENNA: So, Chris, tell us a little bit about  
11 Ripple. It's similar to Bitcoin in some ways. It improves  
12 in Bitcoin in other ways. Could you kind of just give us a  
13 basic overview?

14 MR. LARSEN: Sure. So there's sort of two things  
15 here. There's the Ripple protocol and then there's Ripple  
16 Labs.

17 So the Ripple protocol, like Bitcoin, is an open  
18 source protocol that anybody can use. You don't have to pay  
19 Ripple Labs a fee or license anything. It really is like a

20 public good. We don't own it. We built it but it has now  
21 been released to the world.

22 And the protocol is really three things. So, in  
23 some ways similar to the Bitcoin protocol, some ways very  
24 different. The way we view this is, first and foremost,  
25 this should be a distributed payments protocol. That sort

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1 of comes first, before the math-based currency. We think  
2 that's really what the world needs, this idea of an internet  
3 for value, which we can talk about.

4 Second, it is a math-based currency, like Bitcoin.  
5 Math-based currency simply means a currency without a  
6 counterparty, which is a really unique thing in the world.  
7 It plays a really, really unique and important role in  
8 building an internet for value.

9 And then third, very different from Bitcoin,  
10 because Ripple is value agnostic, you can put anything in  
11 there, you can put Bitcoins themselves in there, you can put  
12 airline miles, dollar, euro, yuan, rial, anything can be in  
13 Ripple, it ends up being, we think, the world's first  
14 distributed currency exchange.

15 So that's kind of the Ripple protocol, those three  
16 things. And then there's Ripple Labs, which is some ways  
17 kind of like a Red Hat to Linux. We are a for-profit  
18 startup but again we don't own the protocol. We built the  
19 protocol. We're still the main contributors to the  
20 protocol. But we think that will change over time. We view  
21 our job as to sort of, you know, husband through the  
22 development of this new network. And there's about 40 of us  
23 now and we plan to really expand that aggressively so it can  
24 really build, you know, a fantastic protocol.

25 MR. KENNA: So at this point, Bitcoin has somewhat  
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1 massive adoption for a startup currency. It's somewhat  
2 unprecedented. And it's the first time we've seen a system  
3 like this where you don't have to rely on a third party.

4 So what inspired you to start Ripple and what does  
5 it really bring that Bitcoin doesn't?

6 MR. LARSEN: Yeah, so obviously we love the idea  
7 of Bitcoin. We think Bitcoin has been successful, very  
8 successful in what it was designed to do. It was designed  
9 to be a global currency without the ability to be debased.  
10 So again, a currency without a counterparty. And that's  
11 great. So it's a great store of value. We think it's, you  
12 know, it's a great instrument that now does not rely on a  
13 central bank. So kind of mission accomplished.

14 But there's a lot of also talk about kind of where  
15 this technology can go, as far as being an internet for  
16 value, sort of a payments protocol. And what that really  
17 means is now, for the first time, you know, can you

18 architect the exchange of value like we've been exchanging  
19 information? You know, kind of our view is, the world is  
20 already connected through an information web. That's great.  
21 The last 20 years, that's what the world has figured out to  
22 do. But when it comes to value exchange, that's really  
23 still pre-internet, until now.

24       Until this double spend problem that Bitcoin was  
25 the first to, you know, kind of figure out, you really could

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1 not have the exchange of value work like the exchange of  
2 information. And that's a huge cost to the world.

3       So that if you can now have a value exchange,  
4 value web that works like our information web, layer that on  
5 top of the information web, you flatten finance, you  
6 tremendously save costs globally. But more importantly, you  
7 just -- you raise the amount of commerce that can happen.

8       So many parts of the world, Africa and China and  
9 South America that have access to the internet, the  
10 information web, but no ability to act on that information  
11 through like a value web. And that is what we set out to  
12 do. So that's different than what Bitcoin set out to do.

13       We set out explicitly to build an internet for  
14 value. So we think most people will use Ripple, using  
15 dollars, euro, yen, the existing things of value that  
16 they're comfortable with. And Ripple, our currency, really  
17 plays more of a supporting role. So you can completely  
18 ignore it or you can use it directly. The important thing  
19 is, the value web plays the starring role. The math-based  
20 currency plays the supporting role. We think that's kind of  
21 the opposite role of Bitcoin.

22       MR. KENNA: Sure. So you mentioned China and  
23 Africa. So in places like these, a lot of times you have  
24 people that are exchanging value over older technology, cell  
25 phones, SMS and things like that. So will it be possible to

0010

1 do that with Ripple as well?

2       MR. LARSEN: Yeah. So Ripple is really a  
3 foundational protocol. Not really even a platform or a  
4 network. Those are kind of, you know, second level  
5 implementations. Others can build those platforms, those  
6 networks, on top of the Ripple protocol, just like you can  
7 with the Bitcoin protocol.

8       So what we think what's cool here is they're  
9 really foundational. They really are http for money or smtp  
10 for money. We like that idea.

11       So what these technologies do really well is they  
12 actually start federating all of these other dispersed pre-  
13 internet systems all around the world, so that like M-PESA  
14 in Kenya which runs on, you know, feature phones now can get  
15 integrated to the ACH system in the U.S. and to the SEPA

16 system in Europe. And you can now integrate these things,  
17 you know, instantly.

18 So what this brings to the table is instant  
19 settlement at virtually no cost and it's accessible to  
20 anybody that has internet access. And really bringing all  
21 these various systems together, just like the internet  
22 brought together, you know, pre-internet communications  
23 systems. It used to be so expensive to make a phone call  
24 internationally, you'd have to line up in front of some  
25 office somewhere and pay a fortune. And now we take it for

0011

1 granted that information just travels freely everywhere.  
2 That's where value exchange is going over the next decade  
3 because of these breakout technologies like Bitcoin and like  
4 Ripple.

5 MR. KENNA: And I would assume that Ripple would  
6 allow you to have more liquidity in these currencies. So by  
7 using XRP, the currency behind Ripple, you could trade my  
8 airline miles, which aren't extremely liquid, you know, for  
9 dollars in Kenya?

10 MR. LARSEN: So the thing about what XRP -- the  
11 role that it plays, this supporting role, you know, it  
12 doesn't -- Ripple doesn't require you to ever use XRP, even  
13 in a trade. The cool thing is that anybody in the world now  
14 using Ripple can put a bid/ask on anything of value from any  
15 issuer. So, for example, somebody can decide, you know, I'm  
16 going to make a market between United Airline miles, you  
17 know, once United Airline miles are on Ripple -- I hope they  
18 will be someday -- to Brazilian real. You could go  
19 directly; you don't actually have to go through XRP.

20 But what we believe will happen is that most  
21 market makers, in filling out the world of exchanging value  
22 from anything of value, again, currencies, merchant reward  
23 points, airline miles, gold, silver, anything you define  
24 that has value. Most people actually -- most market makers  
25 will use XRP. Because, as a currency without a

0012

1 counterparty, it is a completely unique thing in the  
2 protocol, just like Bitcoin is completely unique.

3 So again, our view of why math-based currencies  
4 are so valuable isn't necessarily that they replace existing  
5 currencies, is that they have a very unique feature in that  
6 they have no counterparty. So the world only has to think  
7 about one thing when it comes to Bitcoin or Ripple, is the  
8 price in any microsecond in time. You never have to think  
9 about the counterparty risk. It turns out that that is a  
10 completely unique thing that's never existed before.

11 Why is that important? Let's say, you know, we  
12 use the example of a farmer in Nepal wanting to buy farming  
13 equipment from a supplier in Kenya, let's say. If you



14 didn't have the math-based currency, even in an internet for  
15 value, you'd probably have to go Nepalese rupee to Indian  
16 rupee, Indian rupee to British pounds, British pounds to  
17 Kenyan shilling. That's a lot of hops.

18 MR. KENNA: Right, and you're going to lose a good  
19 amount of money on each hop.

20 MR. LARSEN: You lose value on every hop, right.  
21 Because you're involving currencies with counterparties,  
22 things of value with counterparty. It would be much better  
23 to go Nepalese rupee to XRP through a market maker. And  
24 then there is some other market maker that has made a market  
25 between Kenyan shilling and XRP. Now, Nepal and Kenya are

0013

1 one hop away.

2 You're actually one hop away from airline miles  
3 and everything is one hop away. That's why a math-based  
4 currency, we think, is really unique and really has value.

5 MR. KENNA: Excellent. So what are your greatest  
6 issues and concerns with growing Ripple and adoption?

7 MR. LARSEN: It's a lot of things to think about  
8 in building these things. You know, obviously, there is the  
9 technology piece, the trust in the code, the trust in the  
10 stability, always being up and always being in a  
11 distributed, peer-to-peer system. So getting all those  
12 things right is really hard.

13 Second is sort of the utility. Where can you use  
14 it? How do I bring dollars or real or Chinese yuan onto  
15 these platforms so you can buy whatever? You know, that  
16 involves all kinds of regulatory issues, as we all know  
17 about.

18 And then third is sort of the liquidity. Do you  
19 have enough market makers? Which again, the cool thing  
20 about these protocols is it can be anybody in the world. It  
21 can be somebody who's a student in the middle of inland  
22 China or it can be the largest, you know, high-frequency  
23 trading company, you know, on Wall Street. That's a cool  
24 thing. But we have to make sure that you get enough market  
25 makers in all these key currency pairs. So those are the

0014

1 kinds of things we think about all the time, trust, utility  
2 and liquidity.

3 And of course, the other big thing going on here  
4 is reputational risk. I think that's where the industry is  
5 right now. You're seeing all these incumbents, everybody is  
6 thinking about Bitcoin, math-based currencies, Ripple,  
7 they're all super-intrigued. We meet with people like every  
8 day at the highest level.

9 Where you are now is, though, is this fear of  
10 reputational risk of getting involved with these protocols.  
11 You know, will -- if a big bank gets involved, will they get

12 this firestorm from their regulators? So that's what's  
13 holding everybody back. So that's really what we all have  
14 to work on collectively. How do you get law enforcement  
15 comfortable and therefore then the banks are comfortable,  
16 and then that reputational risk is taken off the table, they  
17 see the value and that's when you really start getting these  
18 things exploding.

19 MR. KENNA: So what does 2014 look like and how do  
20 you see all the other alt coins and the competition between  
21 Bitcoin and Ripple and everything panning out?

22 MR. LARSEN: So what we really want to focus on  
23 now is building an amazing team. So we're up to about 40  
24 now and we're aggressively recruiting for cryptographers and  
25 developers. We think this is all about getting incredibly

0015

1 talented technology folks, business development folks,  
2 product folks building stuff that's super valuable. So  
3 that's job number one. And that's where we funnel all the  
4 -- you know, we've created a lot of value in XRP, which  
5 we're able to monetize.

6 One thing that's really unique here about these --  
7 Ripple and Bitcoin is, these were really the first protocols  
8 that actually have monetization built right in. There's  
9 kind of never been anything like that. You know, if you  
10 look at Twitter, Twitter had to be a platform because it was  
11 the only way you could monetize it. The really cool thing  
12 is you have a built-in mechanism. And what we're trying to  
13 do is use the value that we're able to monetize already to  
14 pump that right back into the protocol. So that's kind of  
15 job number one. Then again, it's also working on the  
16 reputational risks in 2014.

17 As far as the other alt coins, you know, it's  
18 great. You know, what is going on here, I think, is an  
19 explosion of things of value. Because it can really have an  
20 internet for value, like Ripple, and that's what we're  
21 aiming to do, it's currency agnostic, value agnostic, that  
22 actually makes it easier for all these new things of value  
23 to flow freely. So that you could take a new alt coin and  
24 send it to a merchant in Japan. It shows up as yen almost  
25 magically because there's some, you know, market maker who

0016

1 is interested in making a market.

2 So whatever the world is willing to value as a new  
3 thing of value because it has this feature or that feature,  
4 that's great. And I think Ripple really helps grease the  
5 wheels for that.

6 MR. KENNA: Excellent. So how did you come up  
7 with the idea for Ripple and how did it get started?

8 MR. LARSEN: So the inventor of Ripple was Jed  
9 McCaleb, who -- you know, thank you for introducing us way

10 back in the day when, you know, all these things seemed  
11 crazy. But, you know, an absolutely genius programmer. You  
12 know, he built eDonkey file sharing program, was the --  
13 founded Mt. Gox. And I think what he saw was that, you  
14 know, Bitcoin was super awesome. But what he didn't like  
15 about it was how much electricity it used in its  
16 confirmation method.

17 And again, what the real innovation here is all  
18 about is confirmation without a central operator, without a  
19 central clearinghouse. That's really the big technological  
20 breakthrough. And what he set out to do is simply build a  
21 method of confirmation that didn't burn a lot of electricity  
22 or computing power. And we call that the consensus method.  
23 So it's kind of as simple as that. But that brought --  
24 consensus as a matter of confirmation brought a couple of  
25 different improvements.

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1 One, it's faster. So the Ripple network confirms  
2 in about five to 10 seconds, versus about eight minutes now  
3 in Bitcoin. It doesn't burn a lot of electricity, which is  
4 sort of a hidden cost in the system, so we think that's a  
5 good thing. And then also it's a system that's, again,  
6 currency agnostic. So it is again kind of a protocol for  
7 all things of value that happens to be supported by a math-  
8 based currency, Ripple XRP, as the supporting feature in  
9 that system.

10 MR. KENNA: Okay. So, Chris, how do you plan on  
11 distributing Ripple? I know part of it is set aside for the  
12 founders and then the rest is given out to basically  
13 encourage people to use Ripple? Or --

14 MR. LARSEN: Yeah, so we have a different --  
15 obviously, because we have a different confirmation method,  
16 consensus, what we don't have, we don't have the requirement  
17 to have to reimburse validators, transaction validators,  
18 with new XRP. Obviously, in Bitcoin, because of the  
19 electricity and the computing power, the protocol has to  
20 reimburse validators with new Bitcoin. That's why there is  
21 the mining method in Bitcoin. You sort of have to have it  
22 that way. In Ripple, you don't have to have it that way.

23 So we could have chosen to have a mining system.  
24 But our belief is it would be better to actually funnel that  
25 money back into Ripple Labs, keep Ripple Labs well funded so

0018

1 we can keep hiring incredible cryptographers and engineers  
2 that can, you know, increasingly improve the protocol.  
3 That's actually good for everybody. And then the second  
4 part is, since we don't have to distribute it to validators,  
5 Ripple Labs can give it to business development partners, to  
6 consumers broadly, to people globally.

7 So two things we've been doing which we like is

8 we've been incenting market makers with XRP forgivable  
9 loans. It's essentially the vehicle that we're currently  
10 using. But we feel that does is that incents, say, bit  
11 currency traders, high-frequency traders to actually be  
12 active market makers on Ripple. That provides liquid  
13 markets. That's good for everybody. Gives them an  
14 incentive in the long-term success of the network. In some  
15 ways, just exactly what Visa did as they sort of gave out  
16 ownership of Visa to key banks to participate in the system.  
17 We think that's good.

18 And the other cool thing that we've been doing  
19 that we like, we've been distributing XRP to consumers  
20 through a partnership that we have, a sponsorship with the  
21 World Community Grid. World Community Grid is a really  
22 neat project. It's sponsored by IBM. It's a .org that  
23 basically tries to get the world to contribute their spare  
24 computing power globally in a shared supercomputer that then  
25 works on social problems like AIDS research, cancer

0019

1 research, building better wind generators and solar panels.  
2 And it's a huge effort that's been going on for about 10  
3 years.

4 Since November, what we've been doing is if you  
5 contribute your computer, which can be an Android phone, it  
6 can be your PC, to the World Community Grid, for every --  
7 the computing minutes that you provide, we will give you  
8 XRP. And it's been super successful. Ripple Labs now is  
9 more than half of the entire project and the project has  
10 like 100,000 teams. So the Ripple Labs team now, we've  
11 contributed about 13,000 years of computing power in just  
12 two months. We're about seven times what IBM is  
13 contributing every day. So it's really been incredible.  
14 And most of that's been in China, actually. So it's things  
15 like that we think then help distribute XRP, actually are  
16 going to solving good, you know, problems that the world  
17 has, and are helping grow the network as well. So we think  
18 those are all good things for the Ripple protocol.

19 MR. KENNA: So, Chris, how do you see the Ripple  
20 ecosystem growing? And where are people needed most? You  
21 need the gateways or users?

22 MR. LARSEN: Yeah, so, you know, kind of the three  
23 core things you need in any kind of payments network. We  
24 need the gateways to bring on things of value globally, you  
25 know, so somebody in Europe can easily get their euros onto

0020

1 the platform and then, you know, use that to buy Bitcoin or  
2 use that to buy yen or whatever. You need them in China,  
3 you need them in South America. So we're working on that  
4 actively. We have a very strong business development  
5 program globally for gateways, making good progress there.

6 Second are the market makers. So we have a head  
7 of trading and markets based in New York, an ex-Goldman  
8 Sachs guy, Phil Rappaport, fantastic at bringing on and  
9 understanding what these market makers need. So bringing  
10 those key players on to make markets.

11 And then, of course, you need merchants, ways of  
12 using Ripple. And our view there, it's not just convincing  
13 merchants one at a time. But as a protocol, our job is  
14 really to build bridges. So, for example, we have a Bitcoin  
15 bridge. So anywhere Bitcoin is accepted today, anything of  
16 value on Ripple is accepted, so whether it be XRP or soon  
17 we'll have gold balances, so you can basically send gold to  
18 a Bitcoin address. And so that's an important way of kind  
19 of in one fell swoop getting any merchant that accepts  
20 Bitcoin. Doing that in similar ways, bridging to other  
21 networks, and you can imagine what those might be. So we're  
22 actively working on those bridges to literally bring  
23 millions of merchants in one fell swoop onto the protocol.

24 And then, of course, getting as many consumers as  
25 we can onto the protocol, which isn't necessarily directly

0021

1 giving to them, although like the World Community group, we  
2 like that. But it's also bringing on incumbents. So if you  
3 could bring on a big bank that has a couple million  
4 customers, what's neat about Ripple is those customers may  
5 not ever know they're using Ripple. All they know is that  
6 suddenly on their bank there is some withdrawal method that  
7 allows the bank customer to send money to India that clears  
8 in five seconds for free. So they're using the Ripple  
9 protocol, but they don't necessarily even have to know it.  
10 We call that Hosted Wallets.

11 So again, all we're concerned about is trust,  
12 utility and liquidity. Grow the network. That actually  
13 will be the best thing for the value of XRP and the best  
14 thing for the entire protocol.

15 MR. KENNA: So I think the biggest criticism I've  
16 heard of Ripple is that, why should I trust it if it's not  
17 decentralized, if it's centrally controlled? And I  
18 understand the protocol is decentralized and all that. But  
19 Ripple Labs, correct me if I'm wrong, controls the  
20 disbursement of the Ripple and could potentially modify the  
21 money supply and things like that.

22 MR. LARSEN: So it's a great question and probably  
23 a key thing to -- there are sometimes misunderstandings  
24 about how it works.

25 So just like Bitcoin, Ripple Labs, the founders,

0022

1 we can never create any more XRP. That's set. It was set  
2 at 100 billion about a year and two months ago now in the  
3 ledger. And that is decided by the protocol just like it is

4 in Bitcoin. So XRP, our math-based currency, just like  
5 Bitcoin, is a currency without a counterparty. There is  
6 nobody to debase it, it cannot be debased, deflationary.

7 Now, Ripple Labs, because we don't have the need  
8 to reimburse validators, started off with the biggest chunk  
9 of XRP. And our -- one of our key roles is making sure that  
10 we distribute it as broadly and in a way that adds as much  
11 utility and liquidity as we possibly can.

12 I think our incentives are very well aligned, you  
13 know, that for Ripple Labs to do well, we have to do a very  
14 good job in protecting the value of XRP and the value of the  
15 network. And that really is the guiding principle here. In  
16 our distribution of XRP, which is kind of a short-term thing  
17 -- I mean, that will run its course; it's kind of the  
18 initial distribution -- the objective is, how do you bring  
19 as many market makers, gateways, marketplaces, bridges,  
20 incent partners, bring as many consumers as you possibly  
21 can, hosted wallets as you can. And we think that's  
22 actually a really great tool that Ripple Labs has to add  
23 value.

24 You know, for those that are skeptical, I would  
25 just say it's a different approach. Give us time.

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1 Hopefully, we'll earn their trust over time, that we're  
2 doing this in a way that adds the most value to the  
3 protocol. At the end of the day, that's -- that's all that  
4 matters. And, you know, we're constantly learning, we're  
5 constantly trying to maximize how we do that. But we think  
6 this actually could be a real strength in making sure that  
7 things are being done to just add as much, you know, kind of  
8 partnerships and value as we possibly can to the protocol.

9 MR. KENNA: So, Chris, if somebody wants to learn  
10 more about the World Community Grid, where should they go?

11 MR. LARSEN: So they can go to  
12 computingforgood.org, and that's sort of the sign-up page  
13 that will link your World Community Grid to your Ripple  
14 Wallet and you can earn XRP for donating your computing  
15 power to solving these problems like AIDS and cancer and  
16 cancer research and solar panel research.

17 MR. KENNA: Excellent. Thanks for coming on the  
18 show, Chris.

19 MR. LARSEN: Thanks so much for having us.

20 MR. KENNA: For more information on the World  
21 Community Grid and Ripple, see the show notes on  
22 moneyandtech.com.

23 (End of recording.)

24 \* \* \* \* \*

25  
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2  
3 I, Chris Cutchall, hereby certify that the foregoing  
4 transcript is a complete, true and accurate transcription of  
5 all matters contained on the recorded proceedings in the  
6 matter of:  
7 RIPPLE.  
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11 Transcriber  
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Interview with Chris Larsen, 5/22/2014, via Around the Coin

<https://www.youtube.com/watch?v=KkaS2G07NzQ>



The video player shows a thumbnail for 'Around the Coin Episode 18' featuring Chris Larsen, CEO of Ripple Labs. The thumbnail includes the Ripple Labs logo, a portrait of Chris Larsen, and the text 'Chris Larsen - CEO', 'AROUND THE COIN', and 'EPISODE 18'. The video player interface shows a progress bar at 0:03 / 45:05 and various control icons.

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13 VIDEO TRANSCRIPTION

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1 P R O C E E D I N G S

2 <https://www.youtube.com/watch?v=KkaS2G07NzQ>

3 MALE SPEAKER 1: Today in Around the Coin  
4 Podcast, we have the CEO of Ripple Labs, Chris Larsen,  
5 discussing the future of payments, the strategy behind  
6 Ripple and the tremendous opportunities in  
7 cryptocurrency over the coming years, Around the Coin  
8 Podcast.

9 MR. TOWNSEND: All right, guys. We're  
10 really excited today, we have a guest on the show.  
11 Chris Larsen is the CEO and Cofounder of Ripple Labs,  
12 as well as myself, Mike Townsend, Brian Roemmele and  
13 Faisal Khan. So we'll kind of like let Chris  
14 introduce himself and take it where -- take it where  
15 it goes. Thanks for having us, Chris. Thanks for --  
16 thanks for being on the show.

17 MR. LARSEN: No, absolutely. No, thanks so  
18 much for having -- having us on the show. We really  
19 appreciate it. Yeah. So as -- as you mentioned, I'm,  
20 you know, the CEO of Ripple Labs. Ripple Labs is the  
21 company that first built the Ripple protocol and  
22 there's about 50 of us, mostly based in San Francisco.  
23 We have some of our team members in New York and --

24 and also Beijing as well.

25 And, you know, what we're really trying

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1 to -- I don't know if you want me to jump right into  
2 it, but --

3 MR. TOWNSEND: Yeah, jump right into it.

4 MR. LARSEN: Oh, okay.

5 MR. TOWNSEND: Maybe tell a little bit about  
6 your background, what you're trying to do. It'd be  
7 interesting to hear a little bit how you personally  
8 got into it, like the inspiration, I think, is  
9 interesting.

10 MR. LARSEN: Sure, sure. Yeah. So before  
11 Ripple Labs, I was involved with two other fin tech  
12 ventures. The first one was called e-Loan; e-Loan was  
13 an online lender that we eventually took public during  
14 the first .com boom. And e-Loan was sort of retailing  
15 consumer loans using the internet to sort of  
16 disintermediate loan agents, auto finance agents, that  
17 sort of thing. So it was kind of step one of the  
18 internet, the idea of disintermediation.

19 The second company was Prosper. Ran that  
20 for eight years. And Prosper was a peer-to-peer  
21 lending marketplace. So kind of in our view, that was  
22 kind of maybe step two, you know. They were sort of  
23 the disintermediation phase on fin tech in the first  
24 .com wave. The second .com wave, after the crash, I  
25 think it was clear that sort of the eBays, the

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1 Craigslist, the Marketplaces stood out as kind of the  
2 models that were getting a lot of attention. And  
3 that's what Prosper was trying to do, different than  
4 e-Loan being kind of a retail disintermediator, we  
5 were trying to be a marketplace, sort of a neutral  
6 marketplace where borrower and lender, peer-to-peer,  
7 could come together.

8 And then, you know, I got interested in this  
9 idea of new currencies, global currencies a little bit  
10 from my background, my experience from e-Loan and  
11 Prosper, where I think what was really clear is that  
12 while information was sort of being revolutionized  
13 globally, I mean you just had data everywhere and  
14 you -- you know, you had the Googles everywhere,  
15 certainly, social network kind of taking off, what you  
16 still saw in fin tech was it was really kind of a  
17 country-by-country approach, so Prosper, e-Loan could  
18 only be country-by-country.

19 You'd have to establish a separate company  
20 in Japan or in Europe and they could only operate in  
21 those -- in those countries. So the thing that was

22 sort of -- fin tech is always very exciting, but, you  
23 know, what's frustrating was there was no sort of  
24 really internet for -- for finance. And that's really  
25 held back, I think, the innovations in -- in -- in fin

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1 tech.

2 So what's really exciting about this whole,  
3 what do you call it, cryptocurrency movement or  
4 math-based currency movement or real-time settlement  
5 system or, what we like to call it, internet for  
6 value, that's really what we see happening right now  
7 with this possibility of sort of a new way of  
8 constructing and -- and sending value around the  
9 world, it's just that.

10 Now, our finance systems and, therefore, all  
11 of the companies that build on top of them, I think,  
12 are entering the post-internet phase, about 20 years  
13 kind of delayed. So we've got a -- we've certainly  
14 had an internet for information exchange, you know,  
15 for 20 years now, but I think it's safe to say the --  
16 the financial services businesses really have not  
17 been -- have not been changed very much, and I think  
18 it's because the underlying guts of it still are based  
19 on -- on pre-internet technology.

20 So what's so exciting, I think, from what  
21 I've seen in the last 20 years now of fin tech, is  
22 maybe for the very first time, you're actually getting  
23 the real revolutionary aspects of the internet now  
24 moving from information, moving into the ability to  
25 not -- not just exchange information but exchange

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1 value.

2 And that is really a fundamental big change.  
3 So that's really what's exciting to us. And that's  
4 what Ripple Labs is trying to do. We're trying to  
5 basically create a protocol that can be used as an  
6 internet for information exchange, based on a new  
7 technology that's only a couple of years old, so in  
8 some ways, I guess (crosstalk) -- I'm sorry, go ahead.

9 MR. ROEMMELE: Now, Chris, if -- if -- if  
10 I've never heard of any other, you know,  
11 cryptocurrency, algorithmic currency, I don't know  
12 what Bitcoin is, if you could take a step back and  
13 sort of explain the topography, 10,000-foot view, and  
14 then kind of get closer and closer to what your vision  
15 is for Ripple and what it is internally and maybe  
16 where it's going.

17 MR. LARSEN: Sure, I'd be happy to. Yeah.  
18 So I -- I guess stepping way back, again, kind of --  
19 again, the world figured out about two decades ago how

20 to exchange information without a central operator.  
21 So this idea you had to have a -- you know, a central  
22 communications company or a -- you know, a switching  
23 company. Remember the days -- I -- I remember the  
24 days when I'd travel to Europe and if I wanted to make  
25 a call to my parents, I'd have to line up at -- at

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1 some communication center, pay a fortune, sort of wait  
2 in line to get a phone booth.

3 So those were the days when information just  
4 was not, you know, moving like it does today on -- on  
5 the internet. Turns out, there's -- now, again, that  
6 has not happened in the value exchange, I think, until  
7 now. So why was that? It's because there's a higher  
8 bar for the movement of value than there is for the  
9 movement of information. And the big difference is  
10 it -- it doesn't matter if we send information more  
11 than once, right? All that matters is it's sent  
12 instantly for free, anywhere on earth. It doesn't  
13 matter if you send that same email or picture a  
14 million times, you know? It might be annoying, but it  
15 doesn't matter, you communicated.

16 With value, however, matters fundamentally  
17 if you send the thing more than once. Value or  
18 transactions, payments, whatever you want to call it,  
19 right, that's just a different animal than  
20 information. It absolutely matters if you send it  
21 more than once, hence this -- this is the discussion  
22 of how do you prevent value from being spent again  
23 once it's already been spent. Well, the world simply  
24 didn't know how to do that in any other way than by  
25 having a central operator, whether that be a Visa or,

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1 you know, fill in the blank for whatever country,  
2 China UnionPay or -- or whatever.

3 So country-by-country, we needed to have a  
4 central operator to confirm that, yes, payment's been  
5 made and you can't make another one, you don't have  
6 enough money in your account after you made that last  
7 payment, right? The world simply did not know how to  
8 architect, long and short, the exchange of value on  
9 the fundamentals of the internet, which are  
10 peer-to-peer, distributed, no central operator.

11 A couple of years ago, there has been --  
12 there was a breakthrough. And many people have heard  
13 of Bitcoin. I think Bitcoin was the first example of  
14 that breakthrough. So the long and short of it is the  
15 world now knows how to exchange value without a  
16 central operator. Therefore, you now have the  
17 ability -- the world has the ability to architect the

18 fundamental guts of our value exchange systems, our  
19 payment systems in pretty much the exact same way that  
20 we already architected the information exchange  
21 because we have figured out how to collectively, on a  
22 peer-to-peer distributed basis, confirm that value  
23 either has been sent or hasn't been sent.

24 So that's the -- that's the big, big  
25 changeup that's happened in the last couple of years

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1 as sort of technology progresses, that's a -- that's a  
2 real fundamental breakout. Now, I think we're  
3 entering the stage of, okay, the world knows how to do  
4 that, what the heck does that mean and what's going --  
5 what incredible businesses are going to be built on  
6 top of it. And what is that -- what implications is  
7 that going to have for the economy and the way people  
8 live?

9 MR. ROEMMELE: So Chris, could we call  
10 Ripple more of an envelope that carries the value and  
11 it doesn't really care necessarily what's inside that  
12 envelope? Is that a better way maybe we can  
13 illustrate it?

14 MR. LARSEN: Yeah. That's a -- that's a -  
15 -that's a -- that's a very accurate way of saying it.  
16 So what -- what we're trying to do is build this idea  
17 of a protocol that really, you know, enables the  
18 internet for value exchange, so it is completely value  
19 agnostic, to your point, it's an envelope you can put  
20 anything in and then zip it around, just like, you  
21 know, our -- our internet of information allows us to  
22 zip packets of information of any kind, whatever that  
23 information is, anywhere, instantly, basically for  
24 free, that now companies can build services and make  
25 money on top of, exactly what we're trying to do

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1 with -- with the Ripple protocol, that any currency --  
2 and, again, we think these technologies will be  
3 used -- two things, will be used for existing things  
4 of value that, you know, people today use dollars,  
5 euro, yuan, rial, rupee, airline miles, merchant  
6 reward points, gold.

7 Humans already use a lot of things of value  
8 as some form of currency or payment or value exchange.  
9 So there's no problem, we think, in having things of  
10 value. The problem is, like information used to be 20  
11 years ago when you used to have information trapped at  
12 the local library, you couldn't get easily that  
13 information from the library to your friend in India.  
14 You know, sort of, information was trapped. Now,  
15 that's all been loosened up.

16 That's where we want to go with value, that  
17 it flows just freely, in any form, instantly,  
18 basically for free, anywhere there's an internet of  
19 information exchange should be an internet for value  
20 exchange.

21 MR. ROEMMELE: So would it also serve as a  
22 lockbox? Could the value be held inside of the Ripple  
23 network, not necessarily removed at any specific date?

24 MR. LARSEN: So that's a great -- a great  
25 question. What we're really trying to do is enable

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1 kind of the existing things of value. Most existing  
2 things of value are not really assets. They are  
3 really some form of liability to some form of  
4 counterparty. So, for example, if I have \$100 in my  
5 PayPal balance, what do I really have? I -- I own a  
6 liability that PayPal is responsible for. PayPal is  
7 the counterparty. PayPal goes bankrupt, I -- I can  
8 lose my money.

9 So I think what's important to remember is  
10 that in these new technologies, in this new sort of  
11 internet for value exchange, the value, more than  
12 likely, is going to be maybe analogous to information  
13 that you might have sitting at some provider, maybe an  
14 email provider, maybe Google. Maybe you're going to  
15 have it on some cloud computing service. Because --  
16 just because you can move the information freely  
17 anywhere and very inexpensively, you still have pretty  
18 much the same human risks that you would have anywhere  
19 else, right?

20 So if that cloud-based computing company,  
21 you know, all of their disks get destroyed, you're  
22 probably going to lose your information. Hopefully,  
23 it's been backed up inside. So I think it's important  
24 to note that this is a huge breakout technology, but  
25 all of those elements of trust with existing financial

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1 players and the way our existing financial system --  
2 systems work, those don't necessarily change. I mean,  
3 again, most things of value are going to be involving  
4 some counterparty that, in some form, has to be  
5 trusted or not, that is -- is going to entail all the  
6 same -- same risks.

7 So I think that it's important to know this  
8 technology does not do away with that, that dynamic,  
9 that dynamic of -- of human interaction still  
10 basically remains. What's being transformed here is  
11 just that ability to move any kind of value instantly,  
12 basically for free, anywhere there's the internet.  
13 That's the big game change. Now, I think a lot of



14 times, the new technologies can -- things can get  
15 conflated, like oh, you know, what really will  
16 change -- what -- what is fundamental and kind of  
17 remains and -- and so that's the way I would kind of,  
18 you know, describe it.

19 MR. ROEMMELE: What would be a simple  
20 example use case? Let's look at Ripple today and  
21 maybe explain how one would use it and who would be in  
22 the ecosystem? Are there developers, banks, you know,  
23 just a -- a simple example?

24 MR. TOWNSEND: It'd be also interesting to  
25 hear what's -- what's a simple example five years from

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1 now, 10 years from now, sort of how that progresses.

2 MR. ROEMMELE: Exactly. Perfect.

3 MR. LARSEN: So a really simple example is  
4 if I go down to my bank, you know, I -- I use  
5 Citibank, and I want to send 20 bucks to India,  
6 there's kind of no way to do that. You know, it  
7 just -- and -- and -- and why is that? It's because  
8 Citi, even though it's a global organization, it  
9 simply can't just move value in seconds, like it does  
10 in email to India in rupee without it chewing up  
11 pretty much that entire -- you know, \$20 would all be  
12 chewed up in fees. It would take days to get there;  
13 who knows what kind of exchange rate you get.

14 So the promise of these technologies isn't  
15 necessarily that a consumer, in our view, has a Ripple  
16 account or anything like that, but likely, now, maybe  
17 I go to Citi, we'd hope eventually, and in full  
18 disclosure, they're not a partner and they not related  
19 to Ripple yet, we hope they will be at one point, but  
20 that you would simply -- you go online and I've got  
21 some family in India and I want to send them 20 bucks,  
22 you know, maybe part of some tips that I got yesterday  
23 and suddenly, now, you'll be able to send it. It'll  
24 basically be received maybe in practically full value.  
25 It will be received in five seconds. And it will

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1 route through maybe some hedge funds on Wall Street  
2 that has the absolute best rate of dollar to rupee,  
3 rather than routing through the retail banks, probably  
4 not very good retail exchange rate. So --

5 MR. TOWNSEND: Which is huge, like that's a  
6 really, really big deal.

7 MR. LARSEN: It is, yeah.

8 MR. ROEMMELE: Well, this is really  
9 interesting. What are the regulatory footprints for  
10 that type of scenario? Is that -- from your best  
11 knowledge, is that something acceptable to bank



12 regulators today?

13 MR. LARSEN: We -- we think that basic idea  
14 of real-time settlement, which you'd refer to as  
15 point-to-point payments or --

16 MR. ROEMMELE: Sure.

17 MR. LARSEN: -- straight through processing  
18 or in-stream FX, we actually think there is a -- a  
19 huge desire when you -- when you read some of what  
20 the -- the fed is advocating for, of just that.  
21 There's a lot of writings now coming from the federal  
22 reserve of the U.S., in particular, saying that we  
23 need a real-time settlement system; that there are not  
24 only a lot of delays and costs, but actually risks.  
25 The risks of having a system where you have multiple

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1 ledgers, you know, in -- in sending dollars to India,  
2 who knows how many ledgers I'm going through. And  
3 this is -- this is part of the problem. This is why  
4 it takes days. It's not because, you know, Citi is  
5 sitting on something that they have to, you know,  
6 stamp it, you know, 10 days from now.

7 They probably sent it, it's just they don't  
8 know how many intermediate ledgers it has to go  
9 through in the relationship they've established  
10 probably with some correspondent banking in India.  
11 That's the problem. So everybody knows that there --  
12 there could be a better system, and it's probably a  
13 system that looks like our information system today,  
14 and that is now what's possible.

15 So I think the idea, regulators can get  
16 around. Now, you know, the execution, of course, you  
17 have a -- here, you have a new technology that gets to  
18 the heart of moving payments and value around the  
19 world. Boy, I mean obviously, that's going to  
20 trigger, you know, every single concern about crimes  
21 and anti-money laundering and know your customer,  
22 which are really, really core to just about every  
23 government's, you know, security objectives around,  
24 you know, terrorism and crime and everything.

25 So no -- there's no question when you have

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1 something like this that's this much of a change is  
2 going to raise all kinds of red flags, which means  
3 there's going to be a period very intense, you know,  
4 kind of education, what is -- what is it, review and  
5 then trying to adopt existing laws and probably new  
6 laws.

7 So you have a tension where, you know, kind  
8 of the financial and economics folks that served in --  
9 with regulators globally get that our current value

10 system on earth is pre-internet and needs to change.  
11 And it -- and it will be an improvement, but at the  
12 same time, you've got all the concerns about crime and  
13 antiterrorism that are absolutely legitimate and need  
14 to be all worked out.

15 MR. ROEMMELE: But fundamentally, your --  
16 your -- the brilliance of what you're doing is you're  
17 working with the existing gatekeepers, right? So the  
18 gatekeepers that regulators are used to through the  
19 KYC AML are already in place. You're just intrabank  
20 and interbank changing the communication system so  
21 that we're not using wires and ACHs. Is that how I'm  
22 seeing it?

23 MR. LARSEN: Yeah. That's exactly right. I  
24 mean there's kind of two ways to go here, and this is  
25 like typical of a lot of technological changes, it

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1 certainly could be hey, old system broken, can't trust  
2 it, screw all of that, let's build a completely green  
3 field system, alternative system that everybody can  
4 use --

5 MR. ROEMMELE: Bitcoin.

6 MR. LARSEN: -- which is one -- you know,  
7 one -- one way to go. And sometimes that works. The  
8 other way to go is to say okay, what's really changing  
9 here. And I'll give you one example. A lot of people  
10 would point to irreversibility in these value --

11 MR. ROEMMELE: Right, right, yeah, yes.

12 MR. LARSEN: -- in these value exchange  
13 systems, right? And -- and -- and I think that's a  
14 good thing, but does that mean we suddenly do away  
15 dispute resolution? Maybe, maybe not. It depends on  
16 the user and the use case. Probably most consumers  
17 want some form of dispute resolution, so (inaudible).

18 MR. ROEMMELE: That would shift the world of  
19 commerce, right? I mean one of the reasons why the  
20 credit card system works so well, if we go to the  
21 consumer level, is the repudiation that's available.  
22 You know, the box shows up with rocks in it from  
23 some -- some buyer or some seller, I mean you need to  
24 be able to have a way to address that and --

25 MR. LARSEN: That's exactly right. And so

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1 there's kind of this payment stack, right, or value  
2 exchange stack. I guess you could probably say  
3 there's six components to it, right? You know,  
4 cash-in, cash-out, clearing and settlement, the  
5 foreign exchange part of it and dispute resolution, I  
6 guess you could say there's messaging on top of that  
7 as well. So it's important to say what's changing in

8 this stack.

9 I actually don't think the cash-in, cash-out  
10 really is changing. You still need the storefront  
11 retail operations of some sort, in some fashion,  
12 globally. That pretty much doesn't change. You do --  
13 we think, in most cases, especially with consumers,  
14 you need the dispute resolution component, you know?  
15 So that doesn't go away. I think what's changing here  
16 is clearing and settlement is going from multiple days  
17 to instant and going from kind of multiple ledgers to  
18 one ledger; therefore, less risk, less capital tied  
19 up. And then industry map ex (phonetic). That's a  
20 big deal. Instead of, you know, kind of getting  
21 trapped in whatever provider's rate you are just going  
22 to have to accept, you're suddenly always getting kind  
23 of the entire world's competitive marketplace of bids  
24 and asks.

25 Those are the two -- two things that are  
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1 changing, so that's kind of our view. So we think,  
2 look, these things are not having to recreate every  
3 consumer application or every sort of bank  
4 relationship you have, all of the custody, all the  
5 regulatory, all of the key services that are brought  
6 to the table. It doesn't even necessarily have to  
7 replace (inaudible) rules. All of those rules,  
8 depending on the jurisdiction can be ported on top of  
9 these new real time settlement systems.

10 So if you really think about it, these  
11 things are way, way, way at the bottom of the stack  
12 in -- in the same way that, you know, SMTP and the  
13 email protocol is -- is not used by consumers, it's  
14 used by email providers, right?

15 MR. TOWNSEND: That's a great analogy.

16 MR. ROEMMELE: Yeah. That's perfect. So  
17 XRP, that's where I think where -- I've been in  
18 payments for 30 years, that's where a lot of my  
19 colleagues who have really studied payments get  
20 confused because it sort of creates a duality of what  
21 we just talked about, which I think is brilliant,  
22 possibly confusing to the consumer, but the killer app  
23 of currency transfer, conversion in real-time and the  
24 other things you talked about is just going to, I  
25 think, take over the world. But then we have XRP and

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1 the -- the analogy that it's a Bitcoin-like thing and  
2 I think that's where some of the confusion takes  
3 place.

4 MR. LARSEN: Yeah. Certainly. So maybe --  
5 let me explain it.

6 MR. TOWNSEND: Chris --

7 MR. LARSEN: Yeah.

8 MR. TOWNSEND: -- one interesting thing, I  
9 think, is like what -- what sort of keeps you up at  
10 night? I mean this sounds -- it sounds extremely  
11 believable, but yet, like -- like a lot of things in  
12 the early stage, there's a lot of unknowns and, you  
13 know, people draw from analogies and they try to  
14 assess the success of certain things. You know, a  
15 lot of people are betting hard on Bitcoin. There's a  
16 couple of ways that we -- when we talk about sort of  
17 cryptocurrencies and the play out there, you know, a  
18 couple of ways that maybe it could go. It'd be  
19 interesting to hear your thoughts. You know, could  
20 it -- is it going to centralize around one process,  
21 you know, Bitcoin for all, or is it going to be  
22 distributed through across -- you know, are we going  
23 to look at 100 different currencies, the way sort of  
24 the world works now in each different country? Or is  
25 there -- or is there, you know, what you guys are

0021

1 doing, sort of like a combination of that and then  
2 that -- that infrastructure underneath?

3 MR. LARSEN: Yeah. Great question. Well,  
4 let me address that and then I'll kind of go back to  
5 the XRP part, but great question. So yeah, what  
6 keeps -- I guess probably the biggest thing for any  
7 startup, right, anybody who's on a team starting  
8 something new is is the timing right.

9 MR. TOWNSEND: Yeah.

10 MR. LARSEN: I mean it's interesting with  
11 the -- with the -- you know, with VCs, you know, look,  
12 you can make multiple bets over a long period of time,  
13 money, you know, if it didn't work out the first time,  
14 well, you have plenty of time to put a new, you know,  
15 kind of investment in place, right? With teams and --  
16 and anything, anybody who's trying to do something  
17 new, you can't ever get the time back. So it's, okay,  
18 were you early enough? Are you too late? So probably  
19 just the -- at the macro, most fundamental level,  
20 that's where you're always waking up one morning like  
21 this is perfect; next, oh, my good, we're too late;  
22 next moment, we're too early. So --

23 MR. TOWNSEND: Yeah, yeah, yeah (laughter).

24 MR. LARSEN: -- so I mean you could do -- as  
25 you know, you know, everybody who's in the space today

0022

1 could be doing all of the, you know, kind of hard  
2 lifting on regulatory education only to find that  
3 that, you know -- it just took too long; it was too

4 exhausting and, you know, it's then the next group  
5 that comes along in five or ten years that can benefit  
6 from that and all of the old players are -- you know,  
7 are gone. That -- that happens all the time.

8 MR. TOWNSEND: Yeah.

9 MR. LARSEN: So -- and you have no control  
10 over that. So but in -- in a way, you're going to  
11 have to let that part go. And, you know, so how does  
12 it play out? I think it's really, really early. And  
13 that's one thing --

14 MR. TOWNSEND: Yeah.

15 MR. LARSEN: -- so I think a lot can happen.  
16 I think, also, the information to value exchange  
17 analogy holds up to a point. But one thing that's  
18 really different from value payments, finance is just  
19 there's just no way to get around that governments  
20 play a bigger role there.

21 MR. TOWNSEND: Uh-huh.

22 MR. LARSEN: Certainly, in some parts of the  
23 world, there is not information freedom and we could  
24 argue, you know, even in the developing world, there's  
25 not true information. We -- you know, that's a --

0023

1 that could be a political argument we could spend all  
2 day on, but I think safe to say, there's probably  
3 globally more freedom on information exchange than  
4 there is on value exchange. There's more of a  
5 government presence globally, you know, even in -- in  
6 the U.S., there is no fundamental right -- there's a  
7 fundamental right to free speech, you know? You know,  
8 again, constantly argued, going back-and-forth.  
9 There's no constitutional right to value exchange  
10 freedom.

11 MR. TOWNSEND: Uh-huh.

12 MR. LARSEN: So we just have to kind of  
13 accept that, I think, there is just a fundamentally  
14 more, you know, kind of stronger presence of  
15 governments throughout the world that are going to  
16 have a stake in this. So I think that's where  
17 sometimes, the internet of information, the last 20  
18 years following that model, could be a -- a false -- a  
19 false -- a -- a false path and that it probably has to  
20 develop in a different way. We think it probably has  
21 to be more integrated with the incumbent systems if  
22 it's -- if it's going to get the traction it needs.  
23 So that's probably one thing I would say on that.

24 And then to the -- to the -- I don't know if  
25 you -- should I address the XRP?

0024

1 MR. ROEMMELE: Yeah.

2 MR. LARSEN: Okay.

3 MR. ROEMMELE: I think it's fundamentally  
4 important to --

5 MR. LARSEN: Yeah.

6 MR. ROEMMELE: -- to -- to signify the  
7 differences between what we were talking about intra  
8 and interbank and what XRP represents because that  
9 looks more like a consumer protocol.

10 MR. LARSEN: Yeah. So XRP is the native  
11 currency of the protocol. It's a digital asset, so  
12 what does that mean? It simply means it's an asset or  
13 a currency, you would say, without a counterparty.  
14 And, again, the broader technology here allows that,  
15 for the first time, this notion that you can have an  
16 asset that's digital, that, unlike that balance at  
17 PayPal, doesn't have a counterparty, which we think is  
18 really interesting.

19 Now, in our view of the world, though, we  
20 don't think -- you know, that -- that think just kind  
21 of comes with the territory, right? If you have these  
22 protocols of value exchange that can determine whether  
23 or not value has been sent or not sent or exists or  
24 doesn't exist, it's sort of trivial to include an  
25 asset into the protocol when you start and, therefore,

0025

1 why is that important is that if the protocol is  
2 successful, that digital asset will -- will almost  
3 definitionally be successful as well. That's the --

4 MR. ROEMMELE: So are you saying that XRP is  
5 independent of all of the other things that we can put  
6 inside the container?

7 MR. LARSEN: Yes.

8 MR. ROEMMELE: (Inaudible) container.

9 MR. LARSEN: Yes.

10 MR. ROEMMELE: So XRP just happens to be  
11 the -- the jumpstart. It looks like it has a capital  
12 base of \$45,363,000 as of a couple of minutes ago,  
13 right? So --

14 MR. LARSEN: Yes.

15 MR. ROEMMELE: -- obviously, there's  
16 somebody moving XRP back-and-forth.

17 MR. LARSEN: Yeah. So it -- it -- yeah,  
18 it -- it -- and it depends how you measure market  
19 caps, right? If you say it's kind of the entire  
20 amount out there times the price, like a stock would  
21 be, or is it the amount float times the price? But,  
22 you know, almost irrelevant.

23 MR. ROEMMELE: Sure.

24 MR. LARSEN: But -- but so again, why does  
25 it exist? Why did we make it? We -- we didn't make

0026

1 it as the staring role of -- of what we're trying to  
2 do. The staring role is the protocol, which will  
3 allow anything of value and never has to use XRP. The  
4 really important point is somebody who's trying to  
5 move dollars to British pounds never has to go through  
6 XRP. Could simply be I'm holding dollars, I brought  
7 on dollar through my U.S. gateway or counterparty or  
8 bank, whatever is integrated to the protocol and  
9 I'm -- I'm moving it to a UK gateway or bank.

10 And I -- I used a market-maker, who is  
11 simply making markets between dollars and British  
12 pounds, never touches XRP. However, we think, in many  
13 cases, XRP will help enable transactions. Now, how  
14 does it do that? It's simply because we believe that  
15 market-makers -- so in the -- in the Ripple protocol  
16 ecosystem, there are gateways, people that bring  
17 dollar, euro, yuan balances onto the protocol. That's  
18 how you get value into the protocol. And then there's  
19 market-makers. They're the ones that exchange one  
20 thing of value for another thing of value. And what  
21 does the Ripple protocol do? It's just trying to path  
22 find the most efficient path of exchanging that one  
23 thing of value for another.

24 But because XRP plays a very unique role in  
25 having no counterparty, that means it has one

0027

1 variable, price, which is entirely objective, we  
2 can -- everybody can agree on what is the price at any  
3 millisecond, it's just, you know, traded into the  
4 market. But it doesn't have a counterparty variable,  
5 which is -- which is endlessly subjective and is  
6 basically credit risk. No one can ever agree on  
7 credit risk, right, as a variable.

8 So because of that it is a useful instrument  
9 and a unique instrument. It's the only asset in the  
10 Ripple protocol, by definition, right? So every --  
11 there's two types of things in the Ripple protocol or  
12 the Ripple ledger. One is this unique digital asset,  
13 the native currency XPR and then there's everything  
14 else of value, which again, is a liability to a  
15 counterparty.

16 So as the only digital asset, it's -- it's  
17 really an efficient instrument to serve as sort of  
18 that common denominator between all things of value.  
19 So it'd be better, in many cases, particularly for  
20 less liquid markets, for smaller currencies, for  
21 the -- from not sort of the world leading  
22 counterparty, so again, you might make a direct market  
23 between B of A's dollars and Barclay's British pounds,



24 but kind of having, you know, maybe the -- like the  
25 12th largest remittance company in Mexico's peso

0028

1 balances, it would be very hard to get a market  
2 between that and the eighth largest remittance company  
3 in Kenya's showing balances, right?

4 That's an obscure market, very difficult to  
5 get enough liquidity between those two instruments.  
6 How is that solved? Have the 12th largest remittance  
7 company's peso balances be set against XRP from some  
8 market-maker that focuses on Mexico and then have some  
9 Kenyan-focused market-maker that makes a market  
10 between that eighth largest Kenyan showing balance and  
11 XRP. Now, you've suddenly made the 12th largest peso  
12 balances one hop away from the 8th largest remittance  
13 companies showing balances.

14 MR. TOWNSEND: Wow.

15 MR. ROEMMELE: So Chris, what determines the  
16 value of an XRP? Because I mean right now, it's  
17 trading just a -- you know, a little between .005 and  
18 it was, at one point, six cents. So what's  
19 controlling the -- the underlying value of the  
20 currency? Is it supply and demand or -- or --

21 MR. LARSEN: It's -- yeah, strictly supply  
22 and demand. And, you know, that demand is just up  
23 entirely to market forces to determine what that is.  
24 And, again, short term, like probably anything else  
25 and particularly in -- in something new like this,

0029

1 very unpredictable, certainly very volatile. And,  
2 again, this is why we think that most people will not  
3 want to think about XRP as the thing that they are  
4 going to be buying things in, right? We think most  
5 people are going to be using dollar, euro, yen,  
6 airline miles, whatever.

7 And in our system, they don't have to think  
8 about XRP. We think market-makers will think about  
9 XRP and so markets can be driven by them. They can be  
10 driven by, you know -- you know, really any -- any --  
11 any reason. I think long term, though, it is this  
12 notion that it -- the primary -- the primary use is to  
13 be something that enables market-making, which is  
14 really helping to facilitate medium of exchange.

15 And we think that's probably like any  
16 currency or any -- any thing of value, probably the  
17 most important kind of source of demand.

18 MR. ROEMMELE: Yeah.

19 MR. LARSEN: And, again, that's long term,  
20 as more and more folks come on the protocol.

21 MR. ROEMMELE: Yeah. That's really



22 interesting. One -- one thought, Chris, we get a lot  
23 of entrepreneurs that just want to learn more about  
24 payments. You know, part of the inspiration around it  
25 is that it's very complex but also very opportunistic

0030

1 around the whole industry, especially cryptocurrency.  
2 Like you said, it's very, very new. If you're sort of  
3 listening to this show and you're -- you get really  
4 excited about this concept, you know, what -- what --  
5 what sort of directions that you see, sort of what  
6 I've experienced as being an entrepreneur is you see  
7 100 opportunities, you know, going down the -- down  
8 the years, down the path that, you know, if you were  
9 to go back and do it again, you could build on  
10 these -- these ideas, are there things that you guys  
11 stumble across that are like, wow, I can't believe  
12 it's done this way, this is such a -- you know, this  
13 is a whole business opportunity in itself?

14 You know, if you're an entrepreneur here,  
15 what -- what would you give them to sort of like dig  
16 into and -- and get excited about and learn about and  
17 maybe create a big business around?

18 MR. LARSEN: Well, that's a -- so that's a  
19 great question because we think there's a ton of  
20 opportunities for developers.

21 MR. ROEMMELE: I know.

22 MR. LARSEN: It's just amazing, right,  
23 because --

24 MR. ROEMMELE: It's almost overwhelming,  
25 like (laughter) --

0031

1 MR. LARSEN: Yeah, it really -- it really is  
2 because what's going on here is that you've had a ton  
3 of payments innovation over the last 10 years, right?  
4 How many, you know, wallet applications and credible  
5 UI people and tons of money that has been spent trying  
6 to change things. And what has been the real thing  
7 holding all of that back is that yeah, they're  
8 building really cool kind of front-end -- the skin,  
9 but the basic infrastructure is still pre-internet and  
10 is super limited. And the real problem is, I mean,  
11 you know, I -- I know from -- from Prosper and e-Loan,  
12 my -- my last two companies, which, again, were  
13 pre-internet financial companies, basically --

14 MR. ROEMMELE: Yeah.

15 MR. LARSEN: -- is, you know, it's super  
16 hard to get into like the ACH system or to get a bank,  
17 you know -- you know, kind of a bank to kind of  
18 sponsor you to get into the -- the banking pipes,  
19 but --

20 MR. ROEMMELE: But like now, those walls are  
21 down.

22 MR. LARSEN: Now, those walls are down. I  
23 mean this is the equivalent to, you know, again, HTTP,  
24 Google could just build whatever they wanted to build.  
25 In the pre-internet of information world, what would

0032

1 they have done? They would've had to gone to the New  
2 York times and say hey, is it okay if we set up a  
3 search algorithm on your page?

4 MR. ROEMMELE: (Laughter)

5 MR. LARSEN: I mean it just never would've  
6 happened, right? So -- and suddenly, now, people are  
7 free to kind of build and build and build. That  
8 doesn't mean they're free from regulation, not saying  
9 that at all, but, you know, just like the information  
10 companies, all of the regulations applied to them,  
11 that will be an endless conversation in development  
12 there. But you suddenly have the ability to kind of  
13 repurpose all of those, you know, kind of really cool  
14 skins and -- and applications that were on the  
15 pre-internet system and limited, suddenly can be built  
16 on these post-internet, you know, HTTPs for -- for  
17 value.

18 So that's -- just kind of -- you almost kind  
19 of go through the whole list of everything that's been  
20 built so far and go wait a minute, now, if I could do  
21 it this way with this and that, how would it be now  
22 because (crosstalk).

23 MR. TOWNSEND: Yeah, right. Almost look at  
24 what exists already and just --

25 MR. LARSEN: Yeah.

0033

1 MR. ROEMMELE: Chris -- Chris, do you see  
2 Litecoin and Bitcoin confusing your mission? Because,  
3 obviously, they're grabbing headlines and, in some  
4 ways, they sort of, I think, conflate and confound  
5 what you're doing interbank, intrabank?

6 MR. LARSEN: Yeah. It's a good -- it's a  
7 good question. I mean we're not trying to be a  
8 Bitcoin 2.0. You know, we always struggle for the  
9 right analogy. Probably internet for -- for value  
10 exchange is probably as close as we can get.

11 MR. ROEMMELE: Sure.

12 MR. LARSEN: Sometimes we say Swift 2.0, but  
13 in fact, we think there's lots of areas to partner  
14 with Swift.

15 MR. ROEMMELE: Yeah, yeah.

16 MR. LARSEN: We -- we actually like what  
17 Swift's doing and -- and there's some good tie-ins

18 there. But so yeah, I do think there's -- there's  
19 really two really separate things that are happening  
20 here. One is this creation of the digital assets  
21 themselves as sort of that's the purpose and the  
22 starring role. And then second is, you know, kind of  
23 these distributed real-time settlement systems, which  
24 are really kind of foundational, like the guts of it.  
25 And they're just completely two different things. One

0034

1 of them is maybe more consumer-facing, more user, more  
2 grassroots. The other one is just more foundational,  
3 which means I think it has to be thought of much more  
4 neutrally. It's very neutral, non-political and very  
5 inclusive.

6 And it needs to be acceptable in places that  
7 are going to view it very differently. Now, our view  
8 is these things have to be accepted in -- in China, in  
9 Europe and, you know, the U.S., clearly, equally. And  
10 those are all very different places, so that's why,  
11 again, any -- any notion of it being a political  
12 movement, we think is -- is counterproductive. And it  
13 needs to be seen as really, really neutral, really,  
14 really not scary, really foundational, even though the  
15 technology itself, we think, is very transformational.

16 MR. TOWNSEND: Yeah, I'd love to  
17 (crosstalk) -- I'd love to ring Faisal. Faisal, you  
18 know, you write so much great content on Quora, which  
19 is such a great destination for intelligent  
20 conversation, and I've personally learned a lot about  
21 it, just from reading Faisal's answers. Faisal, what  
22 are you -- what are you thinking so far? What stands  
23 out? What would be interesting to dive into a little  
24 bit?

25 MR. ROEMMELE: Well, having talking about

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1 Ripple with all of my clients and every -- and -- and  
2 everyone, I think it's the only protocol in so far as  
3 I know that really has a chance of making it in the  
4 financial services industry, so far. I mean Bitcoin  
5 is, you know, predominantly banned or -- or a grey  
6 area in many of the territories we work with. But  
7 Ripple is, you know, something that has a chance  
8 because addresses the very low -- the lower stacks of  
9 the payment stack. It's something that, you know,  
10 banks and remittance companies, as Chris said, are  
11 pretty much open to use, mostly because of the fact  
12 that they can do instantaneous in-time settlements, so  
13 pretty gung-ho on this thing.

14 MR. TOWNSEND: Yeah. I forgot to mention,  
15 Chris, Faisal lives in Pakistan and he is our

16 international expert, so --

17 MR. KHAN: Yeah.

18 MR. TOWNSEND: -- it's interesting to hear  
19 his perspective a lot of times, all the time.

20 MR. LARSEN: No, that's great. Yeah.

21 Faisal, we would love to chat more with you about  
22 your -- you know, kind of your views, of course, but  
23 that -- that is how we see it as well. These things  
24 have to be very, very neutral.

25 MR. KHAN: Uh-huh. Yeah, because I see --

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1 MR. KHAN: Now -- now Chris --

2 MR. KHAN: -- I -- I see, you know, Ripple  
3 is not one of those protocols. It's not, you know,  
4 taken in a negative sense by any of the regulators  
5 that we talked to. It's -- and they -- they mostly  
6 see it as -- as just that, a protocol, you know, to  
7 enable payments to go faster and some crude way, you  
8 know, like a Swift 2.0, so it's -- it's -- it's  
9 welcome, rather than Bitcoin, which is, you know -- it  
10 sees more scrutiny and subject to, you know, perhaps  
11 being banned in their country, et cetera.

12 MR. ROEMMELE: Now, Chris, Faisal has  
13 pointed out to us multiple times that the banking  
14 environment in -- in the Gulf area countries and --  
15 and particularly in Pakistan is radically different  
16 than the United States. Have you had any inroads with  
17 foreign banks that you can talk about or in foreign  
18 domains?

19 MR. LARSEN: So we have, I mean we -- we --  
20 we definitely think, you know, in terms of these, you  
21 know, global payments, and again, if these are going  
22 to be protocols -- I mean what's interesting if you  
23 look at things like Facebook, you know, obviously,  
24 have not been able to become part of the scene in  
25 China, for example, those are platforms, right?

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1 HTTP is obviously in China; it's everywhere.  
2 It's in -- you know -- everywhere. So that's the way  
3 we think these things have to be looked at. So we  
4 have -- we have had a conversation with -- with lots  
5 of international sort of agencies, regulators involved  
6 in payments and -- and value exchange, banks all over  
7 the world, our first bank, we just integrated, as you  
8 may have seen, a German bank.

9 But we -- we want to -- we really want to be  
10 viewed by the folks that set the rules in various  
11 jurisdictions as being an acceptable kind of basic  
12 foundational infrastructure. And -- and that's going  
13 to be in all parts of the world.

14           So we've had a lot of those conversations.  
15 They seem to be going well so far. I think we're in  
16 an education mode, generally, but I do --I do feel as  
17 we get more integration globally, that you might get  
18 some kind of a tipping point where that -- that kind  
19 of accelerates.

20           I think super key point, though, is that  
21 these things don't have to replace the rules in any  
22 jurisdiction, so whether it be NACHA or SEPA or, you  
23 know, any -- anybody's rules can be ported right on  
24 top of -- of these basic protocols. I think that's  
25 really, really important because it -- it doesn't --

0038

1 we like to say we -- we want to -- we want to be  
2 builders, we don't want to be disruptors. The --  
3 the -- the whole word disruption, when it comes to  
4 finance, I think, is too scary of a word.

5           MR. TOWNSEND: I hear you.

6           MR. KHAN: Chris, I had a question. You --  
7 you are positioning yourself more from a B-to-B  
8 perspective, do you see yourself going into the retail  
9 business, the consumer side of it?

10          MR. LARSEN: So no, we really see it being  
11 an enterprise, which we really think is financial  
12 services businesses and, you know, remittance  
13 companies, banks, you know, around the world and then  
14 developers, supporting developers through our  
15 development efforts, you know, the -- the -- the  
16 development portal, the rest APIs, the incubators and  
17 we -- we see those developers as -- as -- as the ones  
18 that are going to be bringing, you know, new services,  
19 particularly when you look at all of the opportunity  
20 in the developed world, I think, you know, there is a  
21 huge opportunity for developers to -- to know their  
22 markets in -- in ways that we could never understand,  
23 right?

24          And -- and then also, kind of at the  
25 enterprise level, again, that idea that suddenly, you

0039

1 know, you just go to your online bank or go to your  
2 mobile phone and suddenly, you can do something you  
3 couldn't do before. And that's the way it's -- it's  
4 manifested itself. An did I think from our  
5 perspective, it's -- we just try to say what -- what  
6 do we do -- what do we do well.

7           We want to have sort of the core software  
8 development team that's contributing to the protocol  
9 and then the team that's sort of integrating to  
10 existing, you know, networks. So if we can just --  
11 you know, whatever bridges that we can write to

12 existing protocols, that -- that goes a long way to  
13 increasing the utility that ultimately consumers see  
14 but may never know it has anything to do with us.

15 MR. TOWNSEND: Interesting. Yeah, Chris,  
16 we've got about three minutes left here. What do  
17 you -- what do you see -- it'd be interesting to hear,  
18 you know, like at your current stage, I'm looking on  
19 the -- on the site and it looks like you've got  
20 about -- how many employees now?

21 MR. LARSEN: 53 now.

22 MR. TOWNSEND: 53?

23 MR. LARSEN: Yeah, yeah.

24 MR. TOWNSEND: What -- what do you see that  
25 takes you to the next level? Is it just time sort

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1 of -- sort of grind through it? Or are there certain  
2 things that you guys are focusing on, on -- on the  
3 executive team there to sort of like win over a market  
4 or are you trying to gain mass knowledge? Is that the  
5 biggest struggle at this point or what's sort of the  
6 battle that you're -- you're trying to win right now  
7 that would really sort of put you into that next --

8 MR. LARSEN: Yeah.

9 MR. TOWNSEND: -- you know, that next growth  
10 stage?

11 MR. LARSEN: Yeah. We always think of it in  
12 terms of trust, utility and liquidity. Trust in the  
13 protocol, that it's going to scale. It's going to be  
14 up all the time. It's -- we're going to -- you know,  
15 it's going to be really easy for gateways and banks to  
16 integrate, so continually working on those, you know,  
17 APIs, you know, stability and -- and the scalability.  
18 And then utility, which is all about bringing on  
19 value, right, bringing on gateways globally in -- in  
20 every region in the world. That's how you get the  
21 value on the protocol.

22 And then, of course -- and that's probably  
23 the hard part, right? Because that's mostly involving  
24 banks who are going to have the highest level of  
25 reputational risk concerns, so that's both technology

0041

1 and that's regulatory. And it's kind of just making  
2 sur that these things don't seem scary.

3 And then probably an easier task, which is  
4 the market-makers, which we've had a lot of luck on,  
5 and that's how do you get -- once you get the value  
6 in, how do you get it moving around efficiently.

7 MR. TOWNSEND: I don't know if I'd call it  
8 luck. You guys are doing a great job.

9 MR. LARSEN: It's a lot to do (laughter).

10 MR. TOWNSEND: Hell yeah.  
11 MR. LARSEN: It's a lot to do here. But  
12 it's really, really fun and exciting and -- and I  
13 think it's really exciting stuff going on in -- in the  
14 world of finance now.  
15 MR. TOWNSEND: I know, it's incredible. All  
16 right. That's about it. Any closing remarks, Brian,  
17 Faisal? What do you think? It's been an amazing  
18 insightful show.  
19 MR. KHAN: Thank you, Chris, for taking your  
20 Saturday out and talking to us, appreciate it.  
21 MR. LARSEN: Faisal, thank you so much.  
22 Mike, we really appreciate it. Really great to be  
23 with you guys.  
24 MR. TOWNSEND: Definitely. Thanks so much,  
25 Chris.

0042

1 MR. ROEMMELE: Thank you.  
2 MR. LARSEN: Awesome, okay.  
3 MR. KHAN: Thank you, sir. Bye-bye.  
4 MR. LARSEN: Take care now.  
5 (End of video file.)

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Interview with Brad Garlinghouse, 3/21/2018, via Bloomberg

[https://www.youtube.com/watch?v=j7jW\\_c4qyo8](https://www.youtube.com/watch?v=j7jW_c4qyo8)



**Bloomberg** SEC REPORT CONCLUDES DAO TOKENS WERE SECURITIES

0:00 / 2:43

Ripple CEO Brad Garlinghouse welcomes regulation

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4 ) File No. NY-09875-A  
5 RIPPLE LABS, INC. )  
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7 SUBJECT: Ripple CEO Brad Garlinghouse Welcomes  
8 Regulation.mp4  
9 LINK: [https-www.youtube.com-watch-v-j7jW\\_  
10 c4qyo8-Aug-23-22-09-58-00-GMT-0400-  
11 \(EDT\)](https-www.youtube.com-watch-v-j7jW_c4qyo8-Aug-23-22-09-58-00-GMT-0400-(EDT))  
12 POSTED BY: Bank XRP  
13 DATE POSTED: July 26, 2017  
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1 P R O C E E D I N G S  
2 Ripple CEO Brad Garlinghouse Welcomes Regulation.mp4  
3 FEMALE INTERVIEWER: You weren't surprised  
4 the SEC had been eying this up?  
5 MR. GARLINGHOUSE: Yeah, I don't think this  
6 is any surprise at all to people who have been paying  
7 attention. You know, for literally decades, 70 to 80  
8 years we've had securities laws that have developed  
9 both for the protection of consumers and investors,  
10 but also for companies. And if you look at how this  
11 has unfolded the very name itself, an internet --  
12 excuse me, an initial coin offering or ICO, sounds an  
13 awful lot like an IPO, and I have been fond of saying  
14 that if it walks like a duck, it talks like a duck,  
15 well it probably is a duck, and in fact now we know  
16 the SEC is going to regulate it like it's a duck.  
17 So I don't think there's any big surprise.  
18 I think in some ways it's very good for the industry.  
19 FEMALE INTERVIEWER: Good for the industry.  
20 What does it mean if you're in the U.S., you were  
21 looking at doing a token offering, an initial coin  
22 offering, what does it mean in terms of the new  
23 information you're going to have to give your investor

24 base and what it means to the investors eyeing them  
25 up?

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1 MR. GARLINGHOUSE: Well, I think what it  
2 means is you need to have the same kind of thoughtful  
3 process that goes through any securities offering, and  
4 I think the -- what was happening, and you had over \$1  
5 billion raised through these initial coin offerings in  
6 Q2, I think what you're going to see happen now is  
7 that will slow because there will be some discipline  
8 included in that process, disclosures, transparency,  
9 and really making sure the investors that are buying  
10 these tokens know what they're buying and know what  
11 they should expect going forward.

12 I think that was really, operating in a  
13 really gray for a while, and the SEC has come out, and  
14 I think again has really provided clarity around that,  
15 which I think will be good for the industry at large  
16 and separating really what may in fact have been even  
17 at the edge fraud to -- you know, but better use  
18 cases.

19 Ultimately I think digital assets have a  
20 very valuable role to play. XRP, which is Ripple's  
21 digital asset, I think the more utility you can derive  
22 from that, the more use case you can derive, the more  
23 valuable they will be. In some of those token  
24 offerings that was really unclear.

25 FEMALE INTERVIEWER: Will it drive it

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1 offshore? Because, I mean, I'm looking at the Isle of  
2 Man and here in the United Kingdom it's been known as  
3 Bitcoin Island. Could you just do offshore offering?

4 MR. GARLINGHOUSE: Sure, and people have  
5 certainly talked about how you can just avoid U.S.  
6 regulation. At the end of the day, though, I think  
7 governments around the world are going to recognize --  
8 governments around the world have protections for  
9 investors, they have protections for companies and how  
10 securities are offered.

11 And so I think there may be exceptions and  
12 opportunities to go offshore and, you know, focus on  
13 non-U.S., or non-British, or non-European investors,  
14 but I think that's a short sided opportunity.  
15 Ultimately we think that, and certainly Ripple has been  
16 very focused on how do we work with regulators, how do  
17 we work with governments and banks to take advantage  
18 of an incredibly new, interesting asset class and just  
19 the technology that can accelerate the engine of  
20 commerce globally.

21 (End of video file.)

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Interview with Brad Garlinghouse, 10/18/2017

<https://www.youtube.com/watch?v=bXYvGVcAwcQ>



**Swell by Ripple: Brad Answers Questions (2017)**

23,168 views Oct 18, 2017 In this Q&A, Ripple CEO Brad Garlinghouse answers questions from our Twitter followers about Swell, XRP and the latest developments out of Ripple.

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1 P R O C E E D I N G S  
2 Swell by Ripple Brad Answers Questions (2017) - YouTube  
3 (Music)  
4 MALE SPEAKER: Is Ripple working with American  
5 Express or with Visa?  
6 MR. GARLINGHOUSE: You know, that's a good  
7 question. One of the, I suppose, challenges of working  
8 in an industry like this is it's regulated. There's  
9 confidentiality. As I mentioned earlier, you know, it  
10 has been an incredibly business couple of days at Swell.  
11 Even this morning, I couldn't get a conference room for  
12 a meeting because had customers who were meeting.  
13 So look, we are working. I'm aware there's  
14 some rumors out there. You know, we announce our  
15 customer relationships when our partners are ready to  
16 announce that. And as part of working with the industry  
17 and not kind of trying to surprise them --  
18 MALE SPEAKER: Right.  
19 MR. GARLINGHOUSE: -- you know, we will make  
20 those announcements when we and our customers are ready.  
21 MALE SPEAKER: Stay tuned. Next question, D  
22 Local, one of the large payment providers is now on  
23 Ripple Net. Can we expect to see them use X Rapid for



24 GoDaddy and for Uber?

25 MR. GARLINGHOUSE: You know, I also like this  
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1 question. It's kind of consistent with what I talked  
2 about before. For all of these payment providers and  
3 even banks, if we can lower their cost, if we improve  
4 efficiency by even 10 basis points, the capital will  
5 flow to the most efficient path.

6 And so while, you know, again, we don't  
7 pre-announce customers until we're ready to talk about  
8 those customers, but, you know, I think that we area  
9 already seeing real traction with X Rapid, that we're  
10 publicly obviously talking about. And I think as more  
11 people understand how that is making payments more  
12 efficient and lower cost, I'm very optimistic that we'll  
13 be working with lots of customers for that use case.

14 MALE SPEAKER: Fantastic. There's another  
15 rumor that seems to be floating around or at least  
16 somebody online shared, Olly Pay, rumors that they could  
17 make a three-second payment cross-border. Does that  
18 mean Ripple has competition in the form of Olly Pay, or  
19 are they using XRP?

20 MR. GARLINGHOUSE: So I don't know the details  
21 of what's being referenced there. You know, any time  
22 you're on one ledger, if everyone's on Olly Pay, then  
23 you can make things efficiently on that same ledger.  
24 Look, the reality is we live in a world where there's a  
25 lot of ledgers. You know, the kind of foundation and  
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1 what Stephan, our CTO, talked about up here on the stage  
2 yesterday was interoperability. Not everyone's going to  
3 be on Olly Pay, and settling between Olly Pay and PayTM  
4 and PayPal and, by the way, B of A and Standard  
5 Chartered and Santander, this is the internet of value.

6 That's how Ripple has, from our inception,  
7 evangelized the opportunity to create an internet of  
8 value. In the catalyzing that internet of value, it's  
9 connecting the repositories of value. It's connecting  
10 Olly Pay. It's connecting Standard Charter. It's  
11 connecting Santander. It's connecting D Local, it's --  
12 you know, as we bring those together, we're  
13 increasing -- frankly, we're increasing the efficiency  
14 for global commerce period.

15 MALE SPEAKER: Uh-huh. Let's see, the next  
16 question here is around exchanges. You know, Coin Base,  
17 one of the largest exchanges in the US, and the question  
18 is, is Ripple pursuing actively having XRP and being  
19 listed on Coin Base? And is that even on our radar or  
20 their radar going forward?

21 MR. GARLINGHOUSE: You know, the way I think

22 about this is we want XRP to be the most efficient, the  
23 most liquid digital asset to solve a payments problem.  
24 So absolutely, it's on my radar, you know, not just Coin  
25 Base, but, you know, I think we're listed on somewhere

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1 between 30 and 40 exchanges. We want to be listed in  
2 more places. We are actively working on that. Again,  
3 that's one of those conversations. It takes two -- it  
4 takes two to tango.

5 MALE SPEAKER: Yep.

6 MR. GARLINGHOUSE: But suffice it to say, I  
7 think, you know, as we have seen volumes for XRP grow  
8 significantly, there's, frankly, a lot more exchanges  
9 that are leaning in and saying well, I want to  
10 participate in that. They are capitalists also.

11 MALE SPEAKER: Yeah.

12 MR. GARLINGHOUSE: And they want to take  
13 advantage of that volume and grow their business.

14 MALE SPEAKER: Yep, fantastic. This next  
15 question actually is good from almost a foundation  
16 setting, and, you know, we have Ripple. We have Ripple  
17 Labs, Ripple the company. What's the difference between  
18 these different entities or products? In other words,  
19 how does XRP -- how is it different than Ripple the  
20 company? Maybe you can just talk about the  
21 interrelation between these different parts.

22 MR. GARLINGHOUSE: Yeah, sure. So I mean  
23 Ripple and Ripple Labs are the same, you know? And I  
24 think originally when the company was started, it was  
25 before I was at the company, it was called Ripple Labs.

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1 We've standardized on -- we're Ripple. Ripple owns a  
2 digital asset called XRP. XRP is fundamental and  
3 intrinsic to how we think about solving a payments  
4 problem.

5 XRP is -- the XRP ledger is open source  
6 technology that lives out in the universe. We obviously  
7 invest in that open source technology. We will continue  
8 to do that. I actually think one of the unique things  
9 about the position Ripple is in is the fact that we can  
10 invest in the XRP ecosystem.

11 And, frankly, we will invest in the whole  
12 ecosystem, the blockchain ecosystem. I agree with some  
13 of the things said on one of the panels yesterday that  
14 said we are in the earliest stages of a transformative  
15 change in how transactions are managed. I want to see  
16 the whole category grow. I don't view a lot of these  
17 companies as competitors because it's so  
18 early that it's like look, we're trying to solve a  
19 payments problem, and there's people working on

20 securities and identity and lending, and I love it.

21 I want all boats to rise, and I think that's a  
22 good thing. But for us, we're going to invest in the  
23 XRP ecosystem or invest in the broader ecosystem. We  
24 certainly want to see XRP become even more liquid and I  
25 think as we drive adoption, that will happen.

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1 You know, this isn't one of the questions, but  
2 I want to proactively comment on something. One of the  
3 things I say inside the company is I'm not focused on  
4 the price of XRP over three days or three weeks or three  
5 months. I'm focused on the price of XRP over three  
6 years and five years. I have no qualms saying  
7 definitively if we continue to drive the success we're  
8 driving, we're going to drive a massive amount of demand  
9 for XRP because we're solving a multitrillion dollar  
10 problem.

11 These payment flows are obviously very, very  
12 large and to the extent we continue to drive success of  
13 signing up more banks, introducing them to how we can  
14 solve not just a connectivity question with X Current,  
15 but a liquidity problem, a multitrillion dollar problem  
16 around liquidity called X Rapid, I'm very confident  
17 about that longer arch of time.

18 MALE SPEAKER: Very good. There's another  
19 XRP-related question, surprisingly. You know, earlier  
20 this year, Ripple announced that it was going to be  
21 putting some XRP in escrow.

22 MR. GARLINGHOUSE: Oh, yeah.

23 MALE SPEAKER: And the question is, is the  
24 escrow happening, has it happened already? When is it  
25 going to happen? There's a lot of interest as to, you

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1 know, the supply of XRP in the marketplace.

2 MR. GARLINGHOUSE: Let me say without any  
3 reservation, we're 100 percent committed to the escrow.  
4 We said when we announced it that we would have it done  
5 by the end of the year. We are 100 percent on track,  
6 and we will definitely have it done by the end of the  
7 year.

8 MALE SPEAKER: That's pretty definitive. So  
9 obviously, we're here in Toronto. We're at Swell, but  
10 also happening in Toronto is Sibos, Swift's conference.  
11 You know, a question, I think it's an interesting  
12 question, if you could say anything to Swift right now,  
13 what would it be?

14 MR. GARLINGHOUSE: You know, I think what I  
15 would say is Ripple's vision and mission is to support  
16 the banking ecosystem, to support financial  
17 institutions. We want to work with the industry.

18 Swift's vision and mission is to support banks and  
19 support the industry. We actually want to work with the  
20 industry, not against. You know, I would love to be  
21 able to find a way to partner more constructively with  
22 Swift. We have been proactive about that. I think it's  
23 in the industry's best interest to find paths to do  
24 that.

25 But obviously, again, it takes two to tango,  
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1 and, in the meantime, we have had immense interest in  
2 what Ripple is doing. And the reason why we did Swell  
3 is because we felt like the conversation that our  
4 customers wanted to have with us, we wanted to make sure  
5 we could have that rich conversation and certainly I  
6 feel like it's been a big success because the, you know,  
7 attendance here has been off the charts, which is  
8 awesome. The demand has been off the charts, which is  
9 great. But I also hope and expect we can work with the  
10 Swift family and really, the broader banking community  
11 constructively as we go forward.

12 MALE SPEAKER: That's great. You know, I have  
13 one last question really, I mean again, you started off  
14 by explaining how you thought Swell has gone. What's  
15 been your favorite speaker, the best conversation? I  
16 mean there's been a lot to choose from, obviously, but  
17 what's really caught your eye?

18 MR. GARLINGHOUSE: You know, I have a soft  
19 spot for -- as an econ major in undergrad (laughter)  
20 I have a soft spot for Ben Bernanke's talk. I  
21 appreciated him describing the current system as a --  
22 kind of a horse and buggy system. And I was actually  
23 impressed with his knowledge of, you know, conversant  
24 around things, around blockchain and Bitcoin and some of  
25 the separation.

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1 But there's also been some things up here that  
2 I would say stuck out to me because I didn't agree. I  
3 actually thought it was interesting, had I been on the  
4 panel yesterday when Vitalic (phonetic) said, you know,  
5 our competition is fiat currency, I would've said like  
6 no, it's not. You know, there is a role for digital  
7 assets to play that can make things far more efficient,  
8 but to pretend that fiat currency and governments are  
9 going to, you know, abandon their own fiat, that's not  
10 going to happen in my lifetime.

11 Mainly one last one is I remember there was  
12 one panel where people were being asked, you know, kind  
13 of what's the future of Bitcoin and these kind of  
14 things, like look, I think the whole category is going  
15 to continue to do incredibly well. The investment

16 flows, you know, at the beginning of the year, this was  
17 a \$25 billion asset class, give or take. Today, it's  
18 between \$150 and \$200 billion asset class. You finally  
19 now have institutional money entering this space. If  
20 you have a fixed supply and you have increasing demand  
21 and it's that institutional money, I can predict what's  
22 going to happen.

23 MALE SPEAKER: You're an economist, right?

24 Yeah, yeah, it's pretty good, yeah.

25 MR. GARLINGHOUSE: You don't have to be an

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1 economist for that. The point I'm really trying to make  
2 is I think, you know, people describe this as a bubble  
3 and I just think look, this is not a bubble. We can  
4 argue about is gold priced efficiently? It's priced  
5 based upon supply and demand. That's a \$9 trillion or  
6 \$8 trillion asset. Bitcoin today I think is, you know,  
7 somewhere in \$90 to \$100 billion asset.

8 I am focused for Ripple and the team here is  
9 very focused, as you know well, in making sure we are  
10 building a real use case to solve a real problem that is  
11 a very, very, very large problem. And if we do that,  
12 I'm extremely confident that driving that utility is  
13 going to drive demand and driving that demand will  
14 continue to serve over, you know, not three days or  
15 three weeks or three months, will serve the ecosystem  
16 well.

17 MALE SPEAKER: Fantastic. Well, awesome,  
18 Brad. Obviously, thanks for your time.

19 MR. GARLINGHOUSE: Absolutely.

20 MALE SPEAKER: We thank everybody else who was  
21 able to tune in live. We are going to wrap up now, but  
22 I want to remind folks that we have our day three  
23 keynote, which will be livestreamed coming up at 12:30  
24 Eastern with Don Tapscott. So thanks again for your  
25 time and we hope you tune in a little later.

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1 MR. GARLINGHOUSE: Thanks, everyone.

2 (Music)

3 (End of video.)

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Interview with Brad Garlinghouse, 10/30/2017, via FinTech Insider

<https://www.youtube.com/watch?v=wUEHQsJ4g3M>



Ripple CEO Brad Garlinghouse discusses the future of cryptocurrency XRP

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11 POSTED BY: Blockchain Insider

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12 DATE POSTED: October 30, 2017

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1 P R O C E E D I N G S

2 Ripple CEO Brad Garlinghouse Discusses the Future of  
3 Cryptocurrency.mp4

4 MR. MAULE: Welcome to another edition of  
5 Blockchain Insider interviews. I'm Sam Maule. We're  
6 in Toronto, in easily the coolest building that I've  
7 been in in the past two days. I think that's safe to  
8 say. We're with Brad Garlinghouse, the CEO of Ripple,  
9 wearing an incredibly nice suit, which I wasn't  
10 expecting.

11 MR. GARLINGHOUSE: Thank you. You know,  
12 when in Rome. We're here at Sibos, which is a banking  
13 conference, a lot of banking meetings, so you got to  
14 wear the part.

15 MR. MAULE: And your staff has asked me to  
16 point out the socks. Michael, if you would pan down.  
17 They do match the tie, they match the concept of  
18 Swell. You have your own conference called Swell.  
19 Most importantly the name came from?

20 MR. GARLINGHOUSE: Swell really -- there's a  
21 lot of Ripple water metaphors in what we do. You  
22 know, our core product is called xCurrent. The next  
23 product we launch is called xRapid. So Swell is kind

24 of building on the kind of water them of what Ripple  
25 is doing and kind of spreading the Ripples around the,  
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1 around everything we're doing.

2 MR. MAULE: Net effect, right. That  
3 constant --

4 MR. GARLINGHOUSE: Net effect. That's  
5 exactly it. I mean ultimately as you know Ripple is  
6 really focused on how to enable an internet of value,  
7 how do we make value move the way information moves  
8 today. And that's our big kind of multi-year, ten  
9 year view of how the world will evolve. And it's  
10 really how do we dial that back to make it tactical  
11 and real today and tomorrow.

12 And I think if you enable an internet of  
13 value you've got to connect the repositories of value.

14 MR. MAULE: Right.

15 MR. GARLINGHOUSE: And the repositories of  
16 value as big as the Bitcoin value proposition is  
17 today, the banks own trillions and trillions and  
18 trillions of dollars of assets. So if we want to  
19 enable the internet of value we got to connect the  
20 banks, and payment service providers, and MSBs, and  
21 we're excited to have made a bunch of progress on  
22 that.

23 MR. MAULE: So how are you feeling with the  
24 conference so far? This is the inaugural event for  
25 this. We'll talk about the timing and some other  
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1 things that are happening in Toronto, but how do you  
2 feel -- overall how do you think the conference has  
3 gone after your first day?

4 MR. GARLINGHOUSE: Look, I'm thrilled and I  
5 will admit, you know, there's a certain nervousness  
6 when you have your inaugural event. Things running  
7 smoothly, almost are people going to show up.

8 You know, yesterday we had kind of our lead  
9 keynote with Ben Bernanke interview by Gene Sperling.

10 MR. MAULE: Yeah, I was going to come there  
11 by the way. So if you're going to have your first  
12 event Bern Bernanke, nice, nice --

13 MR. GARLINGHOUSE: It's pretty good.

14 MR. MAULE: Yeah, you guys are -- yeah, you  
15 got Sir Timbers Lee (phonetic) coming up, you've got  
16 Don Tapscott.

17 MR. GARLINGHOUSE: We have Stefan Thomas and  
18 Vitalik this afternoon. That should be great.

19 MR. MAULE: Yeah, you -- when you look at  
20 the speaker list and the buzz that we've heard maybe  
21 at a different conference that's going on, which we

22 will talk about, well done.

23 MR. GARLINGHOUSE: Thank you.

24 MR. MAULE: That's the way to do a  
25 conference.

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1 MR. GARLINGHOUSE: Yeah. So as for the  
2 inaugural event I'm thrilled. I think, you know,  
3 there's always things you'll learn, and we can do  
4 better but, you know, to some degree we were trying to  
5 be the un-conference relative to the Sibos. You know,  
6 I think we did try to be complimentary with some of  
7 what they're doing, but Ripple has been fortunate that  
8 we've got a lot of customers and we heard last year  
9 our customers they want to hear more from us, and we  
10 felt like the best way to do that is to set up shop  
11 here, and it's been great so far. It's been very  
12 busy, you know a packed house for Bernanke and a bunch  
13 of sessions yesterday and I expect the same today.

14 MR. MAULE: Yeah, it's interesting. I've --  
15 you know, I've been around Ripple forever and a day,  
16 right, back when Chris Larsen was there. One thing I  
17 appreciate about Chris is he constantly learned how to  
18 refine the message, right.

19 In the space you're in educating the  
20 bankers, corporates across the space that's a huge  
21 part of this, right?

22 MR. GARLINGHOUSE: Sure.

23 MR. MAULE: This isn't a simple --

24 MR. GARLINGHOUSE: No, yeah.

25 MR. MAULE: -- this is not a simple topic,

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1 right.

2 MR. GARLINGHOUSE: Right, yeah.

3 MR. MAULE: So that idea, what you talked  
4 about, about building this conference up, makes sense  
5 because education and that component of it is massive.

6 MR. GARLINGHOUSE: Yeah. You know, I think  
7 one of the things that has served Ripple incredibly  
8 well is I think in contrast to some in the community  
9 that are kind of taking a very horizontal view, I'm  
10 talking about literally over a hundred use cases,  
11 we've been very focused on, specific about one --

12 MR. MAULE: Right.

13 MR. GARLINGHOUSE: -- payments, particularly  
14 cross border payments. And let's go deep and really  
15 understanding that product set, that need, that  
16 customer, how you sell into that customer.

17 And so I think, you know, as I look at where  
18 we are today relative to a year ago, I think that that  
19 focus and really understanding that segment, and that

20 customer, and being able to go deep and really solving  
21 that problem has served us incredibly well and we will  
22 remain focused on payments because obviously it's a  
23 massive industry. You know, the problems we're  
24 solving can be measured in the trillions of dollars.

25 That isn't to say that I don't think there's  
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1 other great blockchain use cases --

2 MR. MAULE: Right.

3 MR. GARLINGHOUSE: -- and eventually maybe  
4 Ripple will address some others, but today I kind of  
5 view it as the earliest days of Amazon, where Amazon  
6 said, hey, we're a bookseller. I mean, the first name  
7 of Amazon was not Amazon, it was Amazon Books. And,  
8 you know, they built a platform to serve a need to  
9 sell books, and then they did another vertical, and  
10 another vertical, and another vertical, and obviously  
11 productized the platform.

12 I think the best way to build platform  
13 technologies isn't by trying to be that horizontal  
14 because by the time you build the platform the needs  
15 have changed and evolved. If you build it really  
16 successfully for one vertical, in this case a really  
17 big one, you could put yourself in a really good  
18 position to build it for others as well.

19 MR. MAULE: So I wanted to be a psychiatrist  
20 when I was young, so I always look for key comments  
21 that was made. So you said something that was  
22 interesting if you look back over the past year. So  
23 you've been CEO since January.

24 MR. GARLINGHOUSE: Yup.

25 MR. MAULE: You've been with Ripple, though,  
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1 since 2015, right?

2 MR. GARLINGHOUSE: Right.

3 MR. MAULE: You were President and COO?

4 MR. GARLINGHOUSE: Yeah.

5 MR. MAULE: So personally I think when you  
6 look at a company you look to the CEO, and they really  
7 help establish the culture and focus of what they're  
8 doing. So if you look back over the past year, from  
9 January to now, and we're surrounded at a very cool  
10 conference, how would you kind of summarize your stamp  
11 on the company and your tenure as CEO?

12 MR. GARLINGHOUSE: Well, so you're right.  
13 I've been with the company two-and-a-half years and,  
14 you know, Chris and I really -- Chris Larsen, the  
15 founder and previous CEO --

16 MR. MAULE: And a great guy.

17 MR. GARLINGHOUSE: And a great guy.

18 MR. MAULE: We really love Chris.

19 MR. GARLINGHOUSE: We've had a great  
20 partnership and we're very complementary in many ways.  
21 And so, you know, he remains very involved in the  
22 company as Chairman and I talk to him almost every  
23 day. So I don't -- it's not a demarcation point that I  
24 look at and say, hey, January 1 when I officially took  
25 over as CEO that there's some left turn or right turn.

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1 MR. MAULE: You didn't change the logo, you  
2 didn't -- yeah, okay. Just making sure.

3 MR. GARLINGHOUSE: Yeah. But, you know, I  
4 think for me it's been the mark over maybe  
5 two-and-a-half years of really driving that focus and  
6 really understanding that customer. And, you know,  
7 you have been around Ripple for a long time and, you  
8 know, there are other use cases that Ripple had toyed  
9 with in the early days and some other what I'll call  
10 in retrospect experiments.

11 You know, I think really over the last  
12 two-and-a-half years we've gotten increasingly focused  
13 and gone deep around this segment, and again I think  
14 that's served us really well. You know, the only  
15 thing that I think has materially changed during the  
16 course of 2017 is, you know, I do agree with you that  
17 personalities of the leadership impact the culture of  
18 an organization.

19 You know, I -- I like to be aggressive, and  
20 I think even, you know, what you're seeing here with  
21 Swell is, look, I think Ripple is an incredibly good  
22 place and we've been incredibly fortunate. Part of  
23 that is skill, part of that's luck, but it is to press  
24 our advantage. And, you know, I think we want to  
25 continue to be aggressive in the ecosystem because you

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1 invest I the ecosystem.

2 You know, I think, you know, we have some  
3 things that are teed up for Q4 that I'm really excited  
4 about to continue to invest in the overall ecosystem.  
5 And when I say that by the way I'm not even just  
6 talking about the XRP ecosystem, I will also be a  
7 little long winded here just to say I think all boats  
8 will rise in the blockchain world. Like, I'm  
9 rooting -- I'm long Bitcoin. You know, I want the  
10 whole ecosystem to do well, and I think that will  
11 serve Ripple well.

12 When I see things in the ecosystem that I  
13 think are bad for the ecosystem, I think it's bad for  
14 Ripple. And so, yeah, I'm going to speak out against  
15 that. ICOs I think are a -- one of those examples.

16 MR. MAULE: I can check that one off the  
17 list. We were going to come to that. So as an outside  
18 observer, somebody watching this -- for the listeners  
19 I'll give you a great example. Sibos is going on. So  
20 the, you know, incredibly established banking  
21 conference. I've spoken there a bunch of times.  
22 Ripple has a massive booth and presence at Sibos,  
23 hence the incredibly wonderful outfit that you're  
24 dressed in.

25 And so again, very well established, a lot

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1 of suits. It's Sibos. It is what it is.

2 We noticed when we walked outside all the  
3 Ripple cars lined up, which made me smile and went,  
4 oh, okay, that's a stamp of hey, we're here, right.  
5 I'm -- I like that by the way. I like see that, you  
6 know.

7 But again you do -- you are part of that  
8 conference too. You have a stamp there and have been.

9 MR. GARLINGHOUSE: Sure. And look, I mean  
10 very genuinely we have tried very hard to be  
11 complementary with Sibos. You know, even when Ben  
12 Bernanke -- we did our keynote here with Ben Bernanke,  
13 we intentionally scheduled that around the keynotes at  
14 Sibos because ultimately, look, we want our customer,  
15 which are the banks, if they want to attend -- we  
16 don't want to put them in a position where they have  
17 to choose.

18 There's a lot of great stuff going on here  
19 in Toronto. I've been over at Sibos a bunch. We've  
20 been on the floor of Sibos for three or four years.

21 MR. MAULE: At least, yeah.

22 MR. GARLINGHOUSE: And we're there this year  
23 ad, you know, we will continue to be. But we also --  
24 and again I said, a lot of our customers said they  
25 wanted to hear more from us. You know, the

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1 programming we're doing here is a little bit different  
2 and it is a little bit more the fusion between finance  
3 and technology. And, you know, I think that has  
4 served us well. We had a lot of interest in  
5 participating in being here.

6 MR. MAULE: What I like about Swell, the  
7 conference that you're having, we're not paid to do  
8 this by the way guys. This is just me being  
9 complimentary, so look into the camera.

10 It's very narrowly focused, and you had  
11 talked about that, right. You -- from Ripple overall  
12 it's -- it's continually narrowing the focus if you  
13 will of what we're going to do and what we're going to

14 be good at. What I like about this conference is the  
15 same thing, right. And I like the intimacy of these  
16 type of conferences, the un-conference approach,  
17 right.

18 Sibos is literally thousands upon thousands  
19 of participants. Money 2020, which is next week, the  
20 same thing, right. You go to a salesforce. You have  
21 to rent damn cruise ships and put people on them.  
22 It's just ridiculous. I'm a huge fan of these type of  
23 conferences, where you get Ben Bernanke, and he talks  
24 you literally have a chance to walk up and talk to  
25 him.

0013

1 MR. GARLINGHOUSE: Yeah. We definitely  
2 wanted top to keep it small. You know, I don't mind  
3 sharing with you we had a couple thousand people that  
4 wanted to be at Swell that we turned away.

5 MR. MAULE: Right.

6 MR. GARLINGHOUSE: And that isn't because we  
7 don't want more people engaged with Ripple, it's  
8 because we wanted to make sure we had the highest  
9 quality audience on stage and in the audience, people  
10 that really are influencers, and customers, and can  
11 affect the vision we have around the internet of  
12 value.

13 MR. MAULE: So you're really doing this well  
14 by the way. This is fantastic. It's like you read my  
15 notes. So let's talk about that. You have one of my  
16 favorite lines, blockchain tourists. I love that -- I  
17 love that comment. What do you mean by blockchain  
18 tourists?

19 MR. GARLINGHOUSE: You know, I -- I have  
20 seen having been doing this for, you know, almost  
21 three years now there's a lot of companies that along  
22 and they're just kicking the tires. You know --

23 MR. MAULE: Which is okay.

24 MR. GARLINGHOUSE: It's okay, yeah. I  
25 don't -- I mean, was quoted say that, and I did say it

0014

1 and I'll say it again, but it's not intended to be as  
2 derogatory maybe as it came across, which is, look, I  
3 think people should experiment around blockchain. The  
4 demarcation I'm really trying to make is Ripple has  
5 had the good fortune of having real customers touching  
6 production systems, moving real value, not sandboxes,  
7 experiments and tests.

8 MR. MAULE: Right. Not theory.

9 MR. GARLINGHOUSE: Yeah. This isn't a white  
10 paper, right, and take the most extreme example and,  
11 you know, there are some that --



12 MR. MAULE: Yeah, we can go there.

13 MR. GARLINGHOUSE: You know, so to me  
14 blockchain tourists are people who, you know, look,  
15 they're really interested in the space, they're  
16 learning about the space, they're kicking the tires.  
17 The good news for Ripple is we have a lot of demand  
18 that aren't blockchain tourists.

19 MR. MAULE: Right.

20 MR. GARLINGHOUSE: They are, you know,  
21 seasoned, traveled veterans that know what they're  
22 trying to solve and they're trying to solve a real  
23 problem, and we want to spend our time with that  
24 segment because, you know, although we've grown our  
25 headcount a lot this year, we continue to have more

0015

1 demand than really we can handle quickly.

2 MR. MAULE: Right. Which is a good a  
3 problem by the way.

4 MR. GARLINGHOUSE: It's a good problem, but  
5 it's still a problem.

6 MR. MAULE: Yeah, it is, and it's one you  
7 have to address and know. And I want to touch on that  
8 a little bit because your background to me was very  
9 interesting. You -- you came from Hightail. You  
10 were the CEO at Hightail.

11 MR. GARLINGHOUSE: Right.

12 MR. MAULE: This isn't your first rodeo if  
13 you will. You were at Yahoo. You've been at AOL. So  
14 you're -- you've been around tech in different  
15 formats, and so there's -- you can bring that type of  
16 leadership and that background to Ripple, which is  
17 another thing that I look so much.

18 But Hightail is not exactly a blockchain  
19 company.

20 MR. GARLINGHOUSE: No, not at all. You  
21 know, it's a -- it's funny the kind of serendipity of  
22 how I ended up here. You know, I would have described  
23 myself as a crypto enthusiast. I owned some Bitcoin  
24 by virtue of being connected with some good friends  
25 who have been, you know, patient zeros if you will, a

0016

1 guy named Wences Casares, a gentleman named Dave  
2 Goldberg who unfortunately passed away, but then a guy  
3 named Micky Malka, are people I've all known from  
4 being around Silicon Valley for a long time and in one  
5 way or another advocated.

6 And so I had purchased some Bitcoin, which  
7 I'm glad that they were advocating.

8 MR. MAULE: Good for you by the way because  
9 I looked at it and went, you know, this would be a



10 good investment in 2011. I told three friends of  
11 mine, let's all pitch in 100 bucks, and dammit --

12 MR. GARLINGHOUSE: You should have done it.  
13 But, you know, look, I then and even know think, you  
14 know, some of the consumer use case that had a lot of  
15 the excitement and energy in 2015 when I joined Ripple  
16 I felt was early and premature. And so, yeah,  
17 Ripple -- and as you know, I mean Ripple was a little  
18 bit of a contrarian or a lot of a contrarian and kind  
19 of saying, look, we don't think governments are going  
20 away. We don't think banks are going away. We don't  
21 think fiat currency is going away. But we still think  
22 there's a role for digital assets to play in reducing  
23 friction and accelerating the speed and rising costs  
24 associated with payments.

25 So I -- you know, when I started to talk to  
0017

1 Chris Larsen and they were recruiting to hire somebody  
2 as the COO, being a Bitcoin enthusiast or crypto  
3 enthusiast married with I thought a very pragmatic  
4 vision of how you actually bring this forward. And  
5 revolutions rarely happen by going to the endpoint  
6 first. Instead it's, you know, a crawl. I use the  
7 expression internally about crawl, walk, ran. And,  
8 you know, you got to crawl before you walk, before you  
9 run.

10 And I think the progress Ripple is making  
11 for the industry is, you know, I think moving the  
12 whole revolution forward.

13 MR. MAULE: Well, one thing I like about  
14 Ripple too is the ability to retain talent, which in  
15 tech as a whole is incredibly difficult --

16 MR. GARLINGHOUSE: Yeah.

17 MR. MAULE: -- right, and it's incredibly  
18 competitive. The fact that Stefan Thomas is still --  
19 and he's here today, right.

20 MR. GARLINGHOUSE: Yeah.

21 MR. MAULE: Brilliant individual. The idea  
22 that you're able to keep those, Chris is still like  
23 you said active on the board. But I know you're  
24 seeing that, right --

25 MR. GARLINGHOUSE: Oh, yeah.

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1 MR. MAULE: -- the fight for talent.

2 MR. GARLINGHOUSE: Look, I love that you  
3 brought this up partly because I think it's, you know,  
4 people --

5 MR. MAULE: Did you get that by the way?

6 MR. GARLINGHOUSE: -- talk --

7 MR. MAULE: He loved that I brought it up.

8 MR. GARLINGHOUSE: I do. You know, I think  
9 the culture of an organization is really important and  
10 I think, you know, Silicon Valley and various example  
11 have kind of lost sight of that at times, and I think  
12 we've been fortunate that Ripple has had a great  
13 culture that continues to challenge people like  
14 Stefan, who I do think is genius and, you know, he  
15 makes -- he humbles me easily. I don't actually know  
16 how old he is, but I think he still has a two as the  
17 first handle.

18 MR. MAULE: Yeah, it's depressing when you  
19 talk to him.

20 MR. GARLINGHOUSE: Yeah.

21 MR. MAULE: But -- all right.

22 MR. GARLINGHOUSE: You know, look, I think  
23 the people at Ripple are engaged because they believe  
24 in the mission, they believe in the big vision that  
25 we're trying to achieve. You know, there's no

0019

1 question that if you are building an organization  
2 where it's all about, hey, I want to make a bunch of  
3 money, then, yeah, you're going to see people exit.

4 You know, I think we have been very focused  
5 on a big picture of what we want to achieve over a  
6 ten year period and our leadership team is, you know,  
7 strong and stable and, you know, I think people are  
8 excited by the progress we're making.

9 MR. MAULE: So let's talk about culture and  
10 mission a little bit. We should actually do an  
11 interview on segues. That would be fun, Michael,  
12 yeah. The Gates Foundation, Kosta Peric is a great  
13 friend of mine. He's -- he's a great guy, Gates  
14 Foundation fabulous.

15 MR. GARLINGHOUSE: A great guy, yeah.

16 MR. MAULE: The mojo loop and the projects  
17 you're doing with them, you want to talk a little bit  
18 about that?

19 MR. GARLINGHOUSE: Yeah. Look, I'm really  
20 excited about that work. You know, back to being a  
21 mission driven company, look I will admit I'm a  
22 capitalist and I want to make -- build a business.  
23 But it's awesome to be the company where I feel like  
24 we can put our dent in the universe.

25 You know, as Ripple achieves success you can

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1 start to see tangibly how that could have, you know,  
2 ripple effects --

3 MR. MAULE: Well done.

4 MR. GARLINGHOUSE: -- bear with me, as to  
5 how that could impact society in grander ways. We've

6 actually been working with the Gates Foundation for a  
7 long time now, I think around two years, maybe a  
8 little bit longer. And so to finally have some of  
9 that work announced publicly is really gratifying and  
10 I think very much on mission for what Ripple is trying  
11 to do, and we couldn't be happier about it.

12 Kosta has been a fabulous advocate and, you  
13 know, I do think there's a certain irony of -- as the  
14 chief architect of Swift Net --

15 MR. MAULE: Yeah, I was going to go there,  
16 don't worry.

17 MR. GARLINGHOUSE: -- but, you know, he's  
18 been a big advocate of some of the core, particular  
19 inter-ledger protocol and what we're doing there, and  
20 just couldn't be more excited about what they have  
21 going on.

22 MR. MAULE: And I love the focus of  
23 financial inclusion, right. Again taking something --  
24 and I'm a capitalist, right. Obviously you want to  
25 build a company for the long haul, but being able

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1 to -- I think the term give back is overused but, you  
2 know what I mean. I mean, you can look, and you take  
3 these technology type solutions and introduce them  
4 into environments like India, right.

5 MR. GARLINGHOUSE: For sure.

6 MR. MAULE: Where you can come in and some  
7 of the challenges that you would face for example in  
8 the U.S., right or North America, thanks to technology  
9 and solutions you have you kind of leapfrog the legacy  
10 problems that we've had.

11 MR. GARLINGHOUSE: Right, yeah. Well, but  
12 mobile is the best example of this that we saw it very  
13 tangibly in, you know, a lot of Southeast Asia  
14 countries, certainly Africa where, you know, you just  
15 skip the landline entirely, which is far more  
16 efficient.

17 And so I think in some markets you may find  
18 that, you know, the legacy infrastructure, what Ben  
19 Bernanke called yesterday the horse and buggy, you  
20 know, we skip right past that. And, you know, it's  
21 going to be fun to watch some of those markets, and  
22 certainly again the Gates Foundation is so influential  
23 and so effective in being focused on how we have an  
24 impact.

25 And so, you know, they have been just

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1 amazing champions and I'm excited by how that could  
2 play out.

3 MR. MAULE: And also the news that you had

4 about the accelerator, this -- the -- of which I  
5 actually like because it's almost an accelerator for  
6 banks --

7 MR. GARLINGHOUSE: Yeah.

8 MR. MAULE: -- which is -- by the way the  
9 un-conference, un-accelerator.

10 MR. GARLINGHOUSE: It's a (inaudible)  
11 concept. By the way, Ripple Net accelerator program,  
12 RAP.

13 MR. MAULE: RAP.

14 MR. GARLINGHOUSE: Yeah. But we don't  
15 really call it RAP. The Rapid Accelerator Program.  
16 We're super excited about it. I think this is an  
17 example by the way of how we can take advantage of the  
18 unique position Ripple is in to invest in the  
19 ecosystem really tangibly and accelerate the work  
20 we're doing. You know, obviously the headline you  
21 probably have seen is, you know, we're committing \$300  
22 million of XRP to accelerate the network effects that  
23 we're already starting to see, but if we can have that  
24 happen more quickly, more customers quickly getting  
25 into production, that's all the better.

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1 You know, the earlies days of Visa they had  
2 various incentive programs to drive that adoption, and  
3 I view this very similar.

4 MR. MAULE: I like the idea because you are  
5 literally putting skin in the game, right. I mean,  
6 you're betting on yourself if you will --

7 MR. GARLINGHOUSE: For sure.

8 MR. MAULE: -- so I love the concept, I love  
9 the idea of doing that.

10 MR. GARLINGHOUSE: Yeah.

11 MR. MAULE: What's been the reception so  
12 far? I'm curious.

13 MR. GARLINGHOUSE: It's great. Phone won't  
14 stop ringing. Yeah, I mean, we intentionally  
15 announced that right before Sibos knowing that we --

16 MR. MAULE: Yeah, timing was good by the  
17 way.

18 MR. GARLINGHOUSE: You know, we'll have a  
19 couple hundred bank meetings while we're here and, you  
20 know, we timed that intentionally because we want to  
21 drive adoption. We want to accelerate adoption. And  
22 that means, you know, more customers deploying more  
23 quickly, moving more volume, and again we think that's  
24 just good for the whole ecosystem.

25 MR. MAULE: Yeah. I know it's working

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1 because when we pulled up there were a lot of suits

2 sitting outside and not at all what I was expecting by  
3 the way when we showed up, and that made me smile.

4 MR. GARLINGHOUSE: Yeah.

5 MR. MAULE: Consortiums are interesting, so  
6 I want to go there just a little bit.

7 MR. GARLINGHOUSE: Yeah.

8 MR. MAULE: I've been around payments, you  
9 know, forever and a day. We've seen, you know, for  
10 example MCX, we've seen the worst named product ever  
11 of Isis. God, I actually worked on that too. So the  
12 concept of consortiums is hard.

13 MR. GARLINGHOUSE: Yeah.

14 MR. MAULE: And within this community,  
15 within the blockchain community, you know we have  
16 consortiums --

17 MR. GARLINGHOUSE: Sure.

18 MR. MAULE: -- by default. We had the  
19 recent news as far as the legal action with R3.

20 MR. GARLINGHOUSE: Right.

21 MR. MAULE: Can you discuss where we're at  
22 with R3?

23 MR. GARLINGHOUSE: Yeah, absolutely. So  
24 both R3 sued Ripple, Ripple sued R3. To some degree  
25 it's a contract dispute. We entered into a

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1 partnership. You know, there were compensation for  
2 delivering on that partnership. You know, I think R3  
3 is trying to paint it simply about, you know, the  
4 option agreement. You know, it's a broader  
5 partnership.

6 Our suit I think speaks for itself in that  
7 we feel like very clearly I don't think R3 has lived  
8 up to the commitments they have made. The first step  
9 in that litigation was a suit that R3 brought against  
10 Ripple in Delaware. That was dismissed last week.

11 And, you know, the -- the case overall will  
12 continue now. A case we brought against R3 will  
13 continue in California. So we -- it's -- it's not  
14 over but, you know, we think it's nice to see that  
15 Delaware took our view that, you know, that wasn't the  
16 right venue to even consider the case.

17 MR. MAULE: And you've led multiple  
18 companies. Without getting too simplistic here what  
19 makes it so hard? And would you agree we need some  
20 sort of a standardization or approach when it comes to  
21 payments?

22 MR. GARLINGHOUSE: Yeah. Well, so first of  
23 all I want to double click on the word consortium just  
24 for a moment. Just -- you know, I think that word has  
25 been a little bit bastardized to be a little --

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1 MR. MAULE: Like, crashing, like take your  
2 pick.

3 MR. GARLINGHOUSE: Well, I mean, look,  
4 historically a consortium was a group of people coming  
5 together with equity participation and now you have  
6 what I'll -- you know, things that are called  
7 consortium. They're like that's not really a  
8 consortium. But when I think about the consortiums  
9 some of them are just soft -- you know, they're open  
10 source software initiatives, right.

11 You know, people say we have a hundred  
12 members in our consortium. It's like no, you have a  
13 hundred participants in an open source software  
14 platform. Okay. You know, I think for Ripple it has  
15 been about, like, how do we bring real volume into  
16 production and, you know, people contributing to open  
17 source technology does not make one a member of a  
18 consortium.

19 MR. MAULE: I see a t-shirt from Princess  
20 Bride. I don't think that word means exactly what you  
21 think it means. Good meme, right. I made your  
22 marketing person just laugh right now. I'm proud of  
23 myself.

24 So looking forward, let's talk about this  
25 conference and come back to a little bit since we

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1 started there. Where do you see this in two or three  
2 years? Do you see it growing in size or would you  
3 like the intimacy?

4 MR. GARLINGHOUSE: You know, my honest  
5 answer is I don't know.

6 MR. MAULE: That's a great answer by the  
7 way. I'm glad you said that.

8 MR. GARLINGHOUSE: Look, this is --  
9 yesterday or I guess a day-and-a-half into the events,  
10 yesterday was a huge success on a lot of different  
11 levels. I'm super pleased. You know, I had one  
12 conversation last night after a couple of drinks  
13 thinking about, you know, what is -- what does it look  
14 like next year and, you know, no decisions have been  
15 made.

16 You know, I think without a doubt we want to  
17 make sure that we remain a part of the conversation  
18 with Sibos and with banking, and if that means that  
19 we're doing something off to the side that's great.  
20 But, yeah, I think it's to be determined.

21 It is important to your important, I like  
22 having an intimate gathering of a bunch of influential  
23 people in the industry, that it's not just, you know,

24 talking heads, really having a conversation and a  
25 dialogue.

0028

1 MR. MAULE: Yeah, and that it's, right, just  
2 not on stage and you're just spouting, it's actually  
3 getting that feedback and taking it back with your  
4 product teams and saying this might be interesting  
5 where we go.

6 So let's talk about payments then, and let's  
7 focus on North America since my focus is for my  
8 company North America. When can you please fix  
9 payments? Because this is absolutely a nightmare.  
10 When you go overseas, right --

11 MR. GARLINGHOUSE: Yeah.

12 MR. MAULE: -- we talked about this, the  
13 leapfrog effect, right.

14 MR. GARLINGHOUSE: Yeah.

15 MR. MAULE: India or Africa, take your pick  
16 on mobile, and Asia, and then we come back to the U.S.  
17 we're both -- you're from Kansas, I'm from Detroit  
18 originally so we're U.S. boys.

19 MR. GARLINGHOUSE: Yeah.

20 MR. MAULE: What the heck?

21 MR. GARLINGHOUSE: Yeah, it is -- I marvel  
22 at it. I admit -- I said because I didn't come from  
23 the banking or payments industry, you know, as I was  
24 learning about Ripple and what they were trying to do,  
25 it's just unbelievable to me that, you know, truly the

0029

1 most efficient way for me to get money to London today  
2 would be to go buy a ticket at the airport here in  
3 Toronto and fly it there.

4 MR. MAULE: Yes.

5 MR. GARLINGHOUSE: That's a crazy thing. I  
6 mean, I can stream video from the space station yet I  
7 can't move my own money from point A to point B  
8 efficiently. These are infinitely fixable things and,  
9 you know, it is a crawl, walk, run dynamic, but I'm  
10 super excited about the progress we're seeing.  
11 Momentum is building.

12 It took us, you know, a long time to sing  
13 our first bank and then it's a little faster to do our  
14 next bank, and our next bank. You know, I am very  
15 excited about the pipeline for Q4 and feel like  
16 particularly with this Ripple Net Accelerator program  
17 where we're investing to incentive, to accelerate  
18 things more, I'm super excited about where we sit.

19 MR. MAULE: Well, I think influencing and  
20 what you're doing with folks like Ben Bernanke, right,  
21 that targeted education and getting those people in,

22 right --

23 MR. GARLINGHOUSE: Yeah.

24 MR. MAULE: -- where it's not anarchy,  
25 right. It's an important move, right, both within the

0030

1 regulatory side and the banking side. So again the  
2 accelerator, the work with the Gates Foundation, you  
3 know, getting the thumbs up from Bill Gates is not a  
4 bad thing in this day and age. The moves, Brad, I  
5 really like, and the socks are fantastic, okay.

6 MR. GARLINGHOUSE: Thank you.

7 MR. MAULE: That's what matters. Brad,  
8 thanks for the time.

9 MR. GARLINGHOUSE: Appreciate it. It was  
10 great. I really appreciate it.

11 MR. MAULE: It was fun.

12 MR. GARLINGHOUSE: Yeah.

13 (End of video file.)

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Interview with Brad Garlinghouse, 11/15/2017, via CNBC

<https://www.youtube.com/watch?v=xFcnETkL2J8>



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8 November 2017 - YouTube  
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1 P R O C E E D I N G S  
2 Brad Garlinghouse Ripple CEO LifeHacksLive November 2017  
3 - YouTube  
4 (Music)  
5 MS. FUJITA: Welcome to CNBC International's  
6 Facebook Live. I'm Akiko Fujita coming to you from the  
7 Fintech Festival here in Singapore with a very special  
8 edition of LifeHacksLive. We are joined today by the  
9 CEO of Ripple, Brad Garlinghouse, which Ripple, as you  
10 know, of course, the company behind the enterprise  
11 blockchain technology. They're also behind the world's  
12 third largest cryptocurrency, XRP. Welcome to you.  
13 MR. GARLINGHOUSE: Thank you for having me.  
14 MS. FUJITA: Great. So this is a different  
15 kind of interview, I'm sure. I'm not sure if you've  
16 seen any one of our episodes before, but the rules are  
17 pretty much simple. We've got a wheel. We're going to  
18 spin it. We've got some categories here: routine,  
19 career, leadership, balance, lessons and obstacles.  
20 We'll see where it lands, and then we'll get going.  
21 MR. GARLINGHOUSE: Fabulous. That sounds fun.  
22 MS. FUJITA: All right. So you want to take  
23 the first spin?

24 MR. GARLINGHOUSE: All right. Will do it.  
25 That was quick. I didn't spin it hard enough.

0003

1 MS. FUJITA: Okay. Career.

2 MR. GARLINGHOUSE: Career.

3 MS. FUJITA: It doesn't spin very well, does  
4 it.

5 MR. GARLINGHOUSE: All right.

6 MS. FUJITA: Okay. Let's start with career.  
7 The question is -- I think you get this question a  
8 lot -- when you were at Yahoo, you were -- you wrote the  
9 famous Peanut Butter Manifesto in 2006, saying the  
10 company was spreading its resources too thin. Did you  
11 expect it to become such a big deal? And what did you  
12 learn from it? It's interesting, right, because that  
13 was in 2006, and there were conversations as recently as  
14 a year ago about, you know, perhaps this was prophetic  
15 and some of the issues Yahoo was struggling with still  
16 exist.

17 MR. GARLINGHOUSE: Right. I think it's true,  
18 unfortunately. So to answer the question, I did not  
19 expect it to kind of take on a life of its own and kind  
20 of what's interesting is this is before the world of  
21 Twitter and even Facebook was in its earliest days, so  
22 it became a meme before social memes really were  
23 starting. And I think it's because many companies  
24 suffer from clear focus and understanding who your  
25 customer is and what problem you're trying to solve.

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1 And you quickly get a little bit -- hey, there's lots of  
2 things we can do. I think great companies have a clear  
3 understanding of who their customer is and where they're  
4 going deep.

5 You know, Yahoo, in particular struggled, I  
6 think in part -- you know, what does the Yahoo brand  
7 represent. You know, if you think about what PayPal  
8 represents, I say the word PayPal, you think oh, it's a  
9 payments thing. And even really Google is -- certainly  
10 then, it was search. You know, Yahoo has always been  
11 well, it means a lot of things to a lot of different  
12 people. Some people thought then that was good, I  
13 always argued look, unless we have clarity about who we  
14 are and what customer we're serving, we're going to  
15 struggle with it.

16 MS. FUJITA: So what's the lesson you learned  
17 from being there? Is it about just making sure that  
18 there's a lot of clarity around the mission for the  
19 company and a lot of focus?

20 MR. GARLINGHOUSE: I think it really does come  
21 back to just managers sometimes making tough decisions

22 about here's the most important customer. Here's the  
23 most important segment. It turned out in the space that  
24 Yahoo was in and Google was in, you know, search was the  
25 most important business. And Yahoo didn't invest as

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1 much as it could've around search. I think there's  
2 other things we could've decided to own, but again, we  
3 were kind of spreading ourselves thin across a lot of  
4 things and increasingly different people were attacking  
5 us in different vectors, and that made it difficult to  
6 compete.

7 MS. FUJITA: Let's keep the wheel going.

8 MR. GARLINGHOUSE: All right.

9 MS. FUJITA: I'm going to try to take a spin  
10 this time.

11 MR. GARLINGHOUSE: Absolutely.

12 MS. FUJITA: Okay, obstacles.

13 MR. GARLINGHOUSE: All right.

14 MS. FUJITA: The question is cryptocurrencies  
15 have come under attack by a lot of big names in business  
16 and government. How do you deal with that criticism?  
17 We're, of course, talking about names like Jamie  
18 Diamond.

19 MR. GARLINGHOUSE: Yeah.

20 MS. FUJITA: We had DBS this morning saying  
21 that it was a Ponzi scheme.

22 MR. GARLINGHOUSE: Right.

23 MS. FUJITA: You've heard the criticism,  
24 what's your response?

25 MR. GARLINGHOUSE: Well, look, I think it's

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1 exciting, in some ways. You have a level of attention  
2 around it. And I, I think I was fortunate to move out  
3 to San Francisco 20 years ago, in the earliest days of  
4 the internet. And for me, the earliest days of the  
5 internet, it really was -- you could feel it was a  
6 movement, and, you know, some people then argued that,  
7 you know, Amazon was never going to make any money and,  
8 you know, that a lot of smart money was shorting  
9 amazing. You know, here we are 20 years later and  
10 Amazon's making a lot of money and is one of the most  
11 valuable companies on the planet.

12 I think that any time you have a new shift and  
13 I think for many cryptocurrency and digital assets and  
14 really even blockchain is a shift in how we think about  
15 how transactions are managed, how value is stored and  
16 moved. And so I think you're seeing that fight, almost,  
17 and inside of companies, inside of individuals who  
18 follow this space. I think if you solve a real problem,  
19 and I think Bitcoin is solving a problem around the

20 store of value. XRP is solving a problem around  
21 payments. When solve a real problem, ultimately these  
22 will be defined by the utility of the underlying asset.  
23 I'm -- I think we're in the earliest innings. I think  
24 that this is going to be a very large asset class, and  
25 we're just in the earliest days.

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1 MS. FUJITA: How much of it do you think is  
2 just about communication? Because right now, we talk  
3 about cryptocurrencies just all lumped in as one.  
4 You've made it very clear, you think it's important to  
5 have it centralized, you know, you think that this is a  
6 store of value; this is not how we're going to be paying  
7 for things in the future. How much of the messaging is  
8 important?

9 MR. GARLINGHOUSE: I think the messaging is  
10 really important, and, you know, one of the things that  
11 has happened is you have things that happen within the  
12 crypto world that actually create dark clouds that  
13 follow it, but frankly, the earliest days of Silk Road,  
14 which that was a use case for Bitcoin, paying for drugs,  
15 and yes, you know, governments step in and they shut  
16 down Silk Road. A new one pops up. You know, in  
17 today's world, I think ICOs are an example of a dark  
18 cloud. ICOs, these initial coin offerings where people  
19 are issuing tokens that are really more like securities  
20 than actually have a token that has utility the way, you  
21 know, XRP solves a problem, it has utility in solving a  
22 payments problem.

23 I think those dark clouds are actually bad for  
24 the ecosystem. They're bad for the movement, if you  
25 will. And I think it's important to kind of continue to

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1 focus work with regulators, work with governments. And  
2 for us, working with banks is an indicator of that. If  
3 we don't work with regulators, banks certainly aren't  
4 going to work with us.

5 MS. FUJITA: Okay, great. Let's take another  
6 spin. It's your turn now.

7 MR. GARLINGHOUSE: All right.

8 MS. FUJITA: Okay, which one is that?

9 MR. GARLINGHOUSE: The green one, lessons.

10 MS. FUJITA: Lessons, okay. What kind of  
11 portfolio should young investors build? Keep in mind  
12 the high volatility risks that come with  
13 cryptocurrencies. I think this is a question, you know,  
14 largely about this space. I mean there's so many  
15 cryptocurrencies, as you've just pointed out, so what do  
16 you think people who are trying to get in on this space  
17 should keep in mind?

18 MR. GARLINGHOUSE: I think some of the most  
19 interesting things happening for investors to access  
20 this market are the kind of almost index funds. There's  
21 a number of people offering the ability to buy into an  
22 index of crypto. So one of the things that's nice about  
23 that, it gives you diversification, which is good. It  
24 also actually reduces the volatility. Instead of owning  
25 one that might have a lot of volatility, when you're

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1 owning multiple, some of them aren't as volatile as  
2 others.

3 Now, that being said, I would be cautious  
4 about what the index is covering. Is it the top three?  
5 Is it the top five? Is it the top ten? I think  
6 somewhere around five -- you know, you get into to kind  
7 of 10 to 20 and there's some things in there that I  
8 think would make me a little bit nervous because it's  
9 not clear the utility and sometimes the utility is  
10 intentionally designed to circumvent governments,  
11 circumvent regulators. I don't think those are very  
12 sustainable in the long haul because I don't think  
13 governments are going to go away any time soon.

14 MS. FUJITA: How important is it to look at,  
15 you know, if you're talking about tokens, the backers,  
16 too, to understand, you know, what's really behind that  
17 and what kind of value it has.

18 MR. GARLINGHOUSE: I think that, you know,  
19 what's -- the best thing to ask is what problems are  
20 solved, what utility does it have. And if the utility  
21 is large and growing, there'll be more and more demand  
22 for that token to solve that problem. You know, there  
23 are some ICOs I will highlight in a positive way that  
24 actually, there's real underlying token that I think  
25 does solve something. And I'll use File Coin as an

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1 example.

2 File Coin is trying to build a new version of  
3 AWS, a new version of Dropbox where the resources are  
4 allocated by using a File Coin. I don't -- I don't  
5 follow that company particularly closely, but I  
6 understand the use case, and if they're successful in  
7 driving usage and changing the way storage is allocated  
8 broadly, maybe File Coin will work.

9 MS. FUJITA: Hmm, okay. Great. Let's see if  
10 we can spin this.

11 MR. GARLINGHOUSE: Another career question.

12 MS. FUJITA: Which one -- which one do you  
13 think that is?

14 MR. GARLINGHOUSE: We did career before, let's  
15 do leadership.



16 MS. FUJITA: How about let's do leadership?

17 MR. GARLINGHOUSE: Yeah.

18 MS. FUJITA: All right, okay. This is, I  
19 think, pretty similar to what we were talking about,  
20 blockchain can go over a lot of people's heads, you  
21 know, what tips do you have for explaining something  
22 complicated to a wider audience?

23 MR. GARLINGHOUSE: Yeah. Well, one of the  
24 things I always ask when we're talking about blockchain  
25 is I think sometimes that the hype gets ahead of the

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1 reality. You know, one of the questions I'll ask is why  
2 is the use case better than a database? A database is a  
3 pretty good tool, and some people use blockchain, it's  
4 like well, I'm going to use blockchain to track flour  
5 freshness. And I think well, you could use a database  
6 for that.

7 It's not quite clear to me the -- why that's  
8 important for using a blockchain, but, you know, I think  
9 it -- the more you can draw real world examples and make  
10 it tangible to people, for Ripple, you know, solving a  
11 cross-border problem using blockchain technologies, one  
12 of the things I often talk about is if I wanted to move  
13 money from Singapore to Los Angeles today, the fastest  
14 way for me to do that is to go buy an airplane ticket at  
15 the Singapore airport and fly it there. You know,  
16 that's something that people can understand and get  
17 their head around. But today, if you're doing that  
18 through the banking system, through Swift, it would take  
19 somewhere around three days.

20 MS. FUJITA: Yeah.

21 MR. GARLINGHOUSE: Why is it we live in a  
22 world where I can stream video from the space station,  
23 but I can't move my own money from Point A to Point B.

24 MS. FUJITA: What are some of the use cases  
25 you think we haven't talked about yet? I mean the money

0012

1 transfer is a very easy one to understand --

2 MR. GARLINGHOUSE: Yeah.

3 MS. FUJITA: -- because a lot of us have been  
4 through there before, but --

5 MR. GARLINGHOUSE: I think there's some other  
6 interesting blockchain use cases. I mean one I'll  
7 highlight, I, I don't know of any particular leaders in  
8 it, but using a blockchain to track something like  
9 titles, ownership of homes. In the United States, this  
10 is a big business, title insurance. And if you could  
11 actually use a blockchain to track and manage the  
12 transfer of titles, you could actually really change the  
13 way that industry works. And I think blockchain's a

14 very appropriate technology for that use case, but any  
15 time, you know, you're talking about marketplaces and  
16 using digital assets to allocate resources in  
17 marketplaces, any time you do that, Ripple thinks about  
18 okay, you have to have interoperability between these  
19 different pieces.

20 And it -- we very much think about how to sell  
21 connectors first through banks, but ultimately to other  
22 marketplaces, such that the underlying tokens can be  
23 exchangeable in a real-time efficient way.

24 MS. FUJITA: Okay, great. I'll let you take  
25 the next spin.

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1 MR. GARLINGHOUSE: All right. Oh, another  
2 split --

3 MS. FUJITA: Keep going. Let's do it again.

4 MR. GARLINGHOUSE: -- should we -- all right.

5 MS. FUJITA: Let's do it one more time. Oh,  
6 there you go, okay, balance.

7 MR. GARLINGHOUSE: Balance, we haven't done  
8 that one.

9 MS. FUJITA: Okay. This is a question you  
10 might get a lot. Do you personally invest in other  
11 cryptocurrencies? And do you follow your own advice?  
12 You just talked about some of the precautions --

13 MR. GARLINGHOUSE: Yeah.

14 MS. FUJITA: -- people should take.

15 MR. GARLINGHOUSE: Yeah. Well, I  
16 definitely -- I'm -- I follow my own advice 100 percent.  
17 I'm personally invested in a couple of other crypto  
18 funds that give me exposure to other assets. On a  
19 personal basis, I'm long BTC Bitcoin. I guess  
20 technically, I'm also long Bitcoin cash, but I'm also  
21 long XRP. I'm a little -- I personally think the  
22 Ethereum market is -- in a world where a lot of ICOs are  
23 being built upon and managed within the Ethereum  
24 framework, I think if ICOs come under a lot of  
25 regulatory pressure, which I think they will, it's not

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1 clear to me what that's going to mean for the Ethereum  
2 market, and so I have not been long Ethereum.

3 MS. FUJITA: When you think about the  
4 crackdown that we've been seeing, especially here in  
5 Asia, China, Korea --

6 MR. GARLINGHOUSE: Yeah.

7 MS. FUJITA: -- around ICOs, is that -- is  
8 that a -- is that a healthy thing? Is there a necessary  
9 pause here?

10 MR. GARLINGHOUSE: I think it's extremely  
11 healthy. I think it's extremely healthy. I think that

12 some of what has been happening, I think, is, you know,  
13 a little bit fraud-like, as opposed to no, there's a  
14 real problem we're solving and most of them -- and even  
15 the head of the SEC said recently in the United States  
16 that most ICOs look more like securities than they do  
17 useful utility tokens.

18 And that isn't always true, but I think  
19 there's a lot of stuff -- you know, when I see Paris  
20 Hilton promoting an ICO, I don't view that as a good  
21 sign for that market.

22 MS. FUJITA: Floyd Mayweather?

23 MR. GARLINGHOUSE: Yeah, I saw that one, too.

24 MS. FUJITA: Got it, okay, great. We've got  
25 some questions coming in. Here's one question, will

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1 Ripple be utilized by major retail corporations like  
2 Amazon and Wal-Mart?

3 MR. GARLINGHOUSE: Well, certainly we think  
4 about using XRP to solve an institutional payments  
5 problem, and that absolutely applies to corporates. You  
6 know, you think about a business like Wal-Mart, in order  
7 for them to fund their supply chain on a global basis,  
8 they're prefunding accounts around the world, and they  
9 have a lot of capital. Their treasury management, they  
10 have, you know, probably hundreds of people in treasury  
11 management managing billions of dollars of float around  
12 the world. That can be managed much more efficiently.

13 Now, if the question is will you use XRP to  
14 buy things on Amazon or Wal-Mart, I think that day is  
15 further away. I think that, you know, we aren't trying  
16 to replace fiat currency. I think there's a massive  
17 opportunity to solve a cross-border payments problem  
18 using digital assets, reducing the time it takes,  
19 reducing the cost. You know, ultimately, is there an  
20 opportunity at some point in the future to use digital  
21 assets to buy retail? Maybe, but I don't think that's  
22 going to happen in the next 10 years.

23 MS. FUJITA: Hmm, that's interesting. I was  
24 just over in Japan where we're seeing a lot of retailers  
25 accepting Bitcoin now. A lot of companies also starting

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1 to offer what's essentially a debit card that allows you  
2 to use the value that's stored in that cryptocurrency.

3 MR. GARLINGHOUSE: Yeah.

4 MS. FUJITA: Do you see that as a first step  
5 or do you think ultimately it's really just about  
6 storing value, like gold?

7 MR. GARLINGHOUSE: I think it's a little bit  
8 of a novelty. You know, I have been on panels at  
9 various Bitcoin and crypto conferences and talking about

10 XRP and what we're doing on an institutional basis, and  
11 I'll ask the question, you know, how many people in this  
12 room have used Bitcoin to buy something. And, you know,  
13 you'll get 5 percent of the hands will go up and say  
14 I've -- you know, most of them own Bitcoin, but only 5  
15 percent have used Bitcoin to buy something. And then  
16 I'll say, okay, how many have used Bitcoin to buy  
17 something more than once. And it'll go down to like one  
18 percent people will use it, but ultimately, you know, in  
19 the U.S., the dollar works pretty well. My Visa card  
20 works pretty well.

21 MS. FUJITA: Yeah.

22 MR. GARLINGHOUSE: There are markets where it  
23 makes sense. There are markets where you have  
24 currencies that are, you know, less healthy. There's a  
25 volatility problem. There's other problems and, you

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1 know, Argentina, you're seeing some markets where  
2 there's a lot of demand for using the retail use case,  
3 but I think that's not in a Euro denominated or Yen  
4 denominated or a Singapore-dollar denominated  
5 currencies.

6 MS. FUJITA: Okay. We've got another question  
7 coming in from Facebook, and this question is how does  
8 Ripple plan to make a visit to countries like India?  
9 You're already in India.

10 MR. GARLINGHOUSE: We are in India. We have  
11 an office in Mumbai, a handful of customers there  
12 already. I think we publicly talked about the work  
13 we're doing with Yes Bank, as well as Access Bank.  
14 Certainly, there's, you know, more opportunity there.  
15 We're very excited about kind of how things are going in  
16 India for us right now, and it continues to be a  
17 priority.

18 MS. FUJITA: Yeah. Certainly a lot more  
19 upside, I imagine, in emerging markets, right?

20 MR. GARLINGHOUSE: Yeah. Well, also, India is  
21 a unique case because they obviously have gone through  
22 their own domestic -- really, I mean I call it a  
23 revolution from within the, the system, if you will, in  
24 terms of digitizing payments.

25 MS. FUJITA: With demonetization, yeah.

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1 MR. GARLINGHOUSE: Right. It's fascinating,  
2 and I think it really creates an opportunity to kind of  
3 leapfrog other countries and other parts of the world  
4 by, you know, skipping a step. Not dissimilar really to  
5 how the telecommunications industry evolved. Some  
6 markets in Africa, in particular, skipped wireline and  
7 went directly to mobile lines. Now you're going to see

8 some markets saying hey, look, we can go directly from  
9 this to a blockchain-based solution and not worry about,  
10 you know, sort of the inter -- the short term step.

11 MS. FUJITA: Yeah, really going over what took  
12 like how many years in the U.S., right?

13 MR. GARLINGHOUSE: Right.

14 MS. FUJITA: All right. Let's get back to the  
15 wheel.

16 MR. GARLINGHOUSE: All right.

17 MS. FUJITA: And we'll spin it. Okay, career.

18 MR. GARLINGHOUSE: Another career, all right.

19 MS. FUJITA: You've been getting a lot of  
20 career questions. What made you decide to enter this  
21 space? We're talking about blockchain and  
22 cryptocurrency, because we were talking about your time  
23 over at Yahoo before. You were also at Hightail.

24 MR. GARLINGHOUSE: Yeah.

25 MS. FUJITA: What made you get into the space?

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1 MR. GARLINGHOUSE: Really, you know, I think  
2 there's a lot of interesting stuff going on in Silicon  
3 Valley. As I was looking around, to me, what was  
4 happening in the blockchain and crypto world was a  
5 movement, and I felt like, you know, going to work at,  
6 let's say, another food delivery company, I think San  
7 Francisco has somewhere between six and ten food  
8 delivery companies, you know, I'm picking on that as an  
9 example, but, you know, what's happening in crypto and  
10 certainly what is happening at Ripple, like we have an  
11 opportunity to fundamentally change the way global  
12 commerce is managed from a payments point-of-view.

13 If we're successful, that's transformative.  
14 It allows us to put our own little dent in the universe.  
15 So far, we've been extremely fortunate. We have over  
16 100 customers, and I think given the network effects  
17 associated with that, we feel like we're really at a  
18 tipping point where the value of participating keeps  
19 growing by the number of nodes on the network. It's an  
20 exponential increase in value.

21 So for me, joining this industry was a belief  
22 that there is something, a movement, a fundamental  
23 change happening, and I thought Ripple was really  
24 focused on the right aspect of solving an enterprise use  
25 case, as opposed to maybe going after those consumer use

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1 cases, but I think they're still pretty early.

2 MS. FUJITA: Do you have a mental checklist  
3 or, you know, kind of a -- you know, how you go about  
4 assessing new opportunities? Because you're -- you've  
5 been in, what, right in the heart of the tech space in

6 Silicon Valley for about 20 years now, I imagine you  
7 have a lot of opportunities that come your way.

8 MR. GARLINGHOUSE: Yeah.

9 MS. FUJITA: What's the checklist you go  
10 through to decide, okay, is it worth leaving this  
11 company for another job?

12 MS. FUJITA: Right, right. Well, one of the  
13 first things I always think about is -- are the people  
14 involved and, you know, a group of smart, motivated,  
15 ambitious people that you want to work with. You know,  
16 that's an important question. The size of the market, I  
17 think, is very important. I think some people are  
18 solving interesting problems where there's a very small  
19 market, which is less exciting to me.

20 The third one I would highlight is, is there a  
21 defensibility? Is there differentiation -- competitive  
22 differentiation that's building a competitive mote, such  
23 that as other competitors enter the market, you have  
24 some ability to protect your position in the market?  
25 And I think, again, for Ripple, I think all of those

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1 things exist. Some of the people at Ripple, I think,  
2 are truly the smartest people I've ever worked in my  
3 career, which makes it a lot of fun to go to work every  
4 day.

5 MS. FUJITA: Okay. We've got more questions  
6 pouring in on Facebook. What would be your forecast on  
7 XRP versus dollar value by the end of 2018?

8 MR. GARLINGHOUSE: Well, so I mean one of the  
9 things always say when I'm asked this kind of question  
10 is I really don't think that much about the price of XRP  
11 in the short term. You know, I make the point like I  
12 don't think about it three days, three months. You  
13 know, I think more about it in the three-to-five-year,  
14 if we drive a lot of utility and a lot of usefulness of  
15 XRP in terms of solving that payments flow. And again,  
16 if we go back to the question about Wal-Mart and Amazon,  
17 if you're solving a corporate treasury problem measured  
18 in the trillions of dollars, I think there's a very  
19 large market opportunity for XRP to solve that problem.

20 You know, how the market behaves even over the  
21 course of 2018, I think is hard to predict. I will say  
22 that I think the institutional money is just starting to  
23 come into digital assets, and that's true for Bitcoin  
24 and Ethereum and XRP. But I think as that money comes  
25 into this -- what I mean by institutional money, I mean

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1 pension funds and, you know, fiduciary managed money, I  
2 think that will create a lot of demand for digital  
3 assets. And if you have fixed supply, as you do with

4 XRP and you have increasing demand, you know, you don't  
5 have to be an econ major to know what happens when you  
6 have increase in demand and fixed supply.

7 MS. FUJITA: Is that a good thing for the  
8 space, to get more and more institutional investors in?

9 MR. GARLINGHOUSE: Well, I think --

10 MS. FUJITA: Some would argue it legitimizes  
11 it.

12 MR. GARLINGHOUSE: For sure, that's the  
13 important point is I think it builds trust. You know,  
14 you saw an announcement recently, the CME group is  
15 investigating whether or not to offer derivatives of  
16 futures associated with digital assets like Bitcoin and  
17 XRP, and I think that, you know, that allows more  
18 institutions to participate because now you can hedge  
19 some of the volatility that you might not have wanted  
20 that kind of exposure to. So I think it just makes it  
21 that much more appealing as an institutional asset  
22 class, and that brings in more money.

23 MS. FUJITA: All right. Let's get to some  
24 more questions from Facebook. Let's see if we can pull  
25 these up. How do you plan on making it easier for

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1 everyday people new to cryptocurrencies to securely  
2 invest in XRP and use it?

3 MR. GARLINGHOUSE: Well, I guess my short  
4 answer to that is, you know, Ripple's focused on  
5 institutional use case and institutional problems. We  
6 don't think as much about how do we make sure it's  
7 accessible to consumers. That being said, you know, we  
8 do -- XRP is listed in, I think, you know, over 50  
9 exchanges around the world. You know, we certainly  
10 think about how do we grow that and make it accessible  
11 and, you know, we work with some of those exchanges to  
12 make sure it's done securely.

13 But, you know, ultimately, we're trying to  
14 solve that institutional use case, that institutional  
15 problem more so than, you know, appealing to speculators  
16 that might have a short term -- you know, frankly, what  
17 you saw happen in Bitcoin cash over the last handful of  
18 days, it was incredible in terms of the runup. I  
19 actually don't want to see that type of dynamic within  
20 XRP. I want to see a long term sustainable value  
21 creation by driving real world users and usefulness of  
22 the digital asset.

23 MS. FUJITA: Yeah, and you've got a lot of  
24 partnerships in place with big banks, too.

25 MR. GARLINGHOUSE: So far, so good.

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1 MS. FUJITA: Okay. Is it my turn? I think



2 you get to spin next.

3 MR. GARLINGHOUSE: All right.

4 MS. FUJITA: Okay, lessons.

5 MR. GARLINGHOUSE: Lessons, all right.

6 MS. FUJITA: Oh, okay. You are an active  
7 angel investor. What are some lessons you have learned  
8 after investing in more than 40 companies?

9 MR. GARLINGHOUSE: So I have greatly enjoyed  
10 being an angel investor because it kind of keeps me  
11 exposed to what entrepreneurs are doing and new  
12 categories. I'll go back to those same lessons I was  
13 talking about in terms of why I went to Ripple. You  
14 know, the number one thing is around people. Are these  
15 the right people you want to be invested in because lots  
16 of -- lots of things will go wrong as you pursue a new  
17 entrepreneurial venture, and are these the people that  
18 can fight through those obstacles?

19 The second is, is the market one that's  
20 interesting? I've made a number of investments just as  
21 an angel, you know, amateur investor in, you know, the  
22 genomics space. It's not a space I know well, but I  
23 think like blockchain, there's a lot that's going to  
24 happen in the next 10, 20 years in that space. And I  
25 think if you invest in the right people that are going

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1 after that right market opportunity, there might be some  
2 big rewards there.

3 MS. FUJITA: I've heard a lot of VCs say that  
4 it's really about investing in the person and not  
5 necessarily the idea because the idea will always  
6 change.

7 MR. GARLINGHOUSE: For sure.

8 MS. FUJITA: Is that the same thinking that  
9 you --

10 MR. GARLINGHOUSE: Absolutely. You know, the  
11 idea, you know, as you go out and execute an idea,  
12 you're going to run into roadblocks. Investing in the  
13 people who understand which roadblocks they should push  
14 through and which roadblocks they need to turn and go  
15 around or change some part of their business model,  
16 having those entrepreneurs who have that good judgement,  
17 it's really hard to find, and, you know, you see some of  
18 them that have had repeat success. And those are the  
19 kind of entrepreneurs you obviously want to invest in.

20 MS. FUJITA: Okay. We've got one question  
21 coming in from Facebook. Will there be important news  
22 involving XRP use after the escrow lockup?

23 MR. GARLINGHOUSE: So we announced the escrow  
24 lockup back in late spring, I think. And we committed  
25 to having it done by the end of the year. You know,



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1 will there be other important news, I mean my view is  
2 there's always news coming out from Ripple. We  
3 announced the first institutional use case for using XRP  
4 into payment flows with a payment company called QualX  
5 recently.

6 We announced a bunch of new customers  
7 recently, and certainly, you know, between now and the  
8 end of the year, you know, we continue to make good  
9 momentum signing up new banks. We just announced  
10 publicly started talking about the Central Bank Summit  
11 we hosted in New York City a few weeks ago. We had a  
12 couple dozen central banks from around the world come  
13 together and talk about how different central banks are  
14 thinking about blockchain and digital assets.

15 We obviously talked about Ripple and XRP and  
16 the things we're doing, but it was also allowing those  
17 banks to come together and talk to each other and hear  
18 from each other, you know, how different banks and  
19 different central banks are thinking about regulating  
20 crypto in that category, so it was a lot --

21 MS. FUJITA: Any talk of central banks maybe  
22 thinking about issuing their own coins?

23 MR. GARLINGHOUSE: You know, it's an  
24 interesting question. You know, you do -- that question  
25 was definitely discussed. You know, I think you have to

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1 come back to, okay, what problem is that solving. Even  
2 if you offer a central bank coin, you still have to have  
3 a settlement to another central bank coin. So again,  
4 from Ripple's point-of-view, you still have a  
5 cross-border problem. There might be some efficiencies  
6 of using a digital asset on a domestic basis, but it  
7 doesn't obviate the need for that cross-border  
8 efficiency that Ripple's very focused on, that  
9 interoperability between -- today between, you know,  
10 different currencies, but even the future, as I  
11 mentioned earlier, between different marketplaces using  
12 digital assets to allocate resources.

13 MS. FUJITA: Okay. I think I have one more --  
14 we have time for one more --

15 MR. GARLINGHOUSE: All right.

16 MS. FUJITA: -- very quick one.

17 MR. GARLINGHOUSE: Your spin.

18 MS. FUJITA: All right.

19 MR. GARLINGHOUSE: Another career.

20 MS. FUJITA: Let's do one more. We got a lot  
21 of careers.

22 MR. GARLINGHOUSE: We haven't done a routine.  
23 We haven't done a or --

24 MS. FUJITA: Okay. I'm going to let you take  
25 the last spin because --

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1 MR. GARLINGHOUSE: Okay. So we'll take the  
2 orange one.

3 MS. FUJITA: Okay. Oh, this is a good one to  
4 end on.

5 MR. GARLINGHOUSE: All right.

6 MS. FUJITA: What keeps you up at night?

7 MR. GARLINGHOUSE: (Laughter) Oh --

8 MS. FUJITA: That's a long list, right?

9 MR. GARLINGHOUSE: -- oh, yeah, and I -- the  
10 17-hour flight from San Francisco to Singapore kept me  
11 up for part of last night, but, you know, what keeps me  
12 up at night, you know, honestly, a lot of it comes down  
13 to at Ripple, do we have the right people doing the  
14 right things. You know, the pressure to move quickly  
15 keeps me up at night. You know, this is a very dynamic  
16 space. It's moving very quickly. And, you know, even  
17 on a weekend like last weekend where you saw tremendous  
18 shifts in the price of BTC and BCH, you know, it -- that  
19 keeps me up at night, the uncertainty that's happening  
20 here.

21 But, you know, look, I think at a macro level,  
22 you're continuing to see governments, regulators lean in  
23 and understand that there really are real value  
24 propositions of using digital assets, of using  
25 blockchain and so, you know, mostly I'm sleeping pretty

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1 well right now.

2 MS. FUJITA: Okay, great. We'll end it on  
3 that note. Brad, thank you so much for joining us.

4 MR. GARLINGHOUSE: Thank you for having me.  
5 This was great.

6 MS. FUJITA: And that's it for this edition of  
7 Life.

8 (End of video.)

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I, Wendy Smith, hereby certify that the foregoing  
transcript consisting of 29 pages is a complete, true  
and accurate transcription of all matters contained on  
the recorded proceedings, Brad Garlinghouse Ripple CEO  
LifeHacksLive November 2017 - YouTube, File Number  
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Interview with Brad Garlinghouse, 12/14/2017, via BNN Bloomberg

<https://www.bnnbloomberg.ca/technology/video/cryptocurrencies-xrp-ethereum-and-litecoin-soar-to-record-highs-after-bitcoin-s-rise~1284604>

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## Cryptocurrencies XRP, Ethereum and Litecoin soar to record highs after bitcoin's rise

[Brad Garlinghouse, CEO of Ripple joins BNN to weigh in on the surge of interest around cryptocurrencies.](#)

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1 UNITED STATES SECURITIES AND EXCHANGE COMMISSION

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3 In the Matter of: )

4 ) File No. NY-09875-A

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7 SUBJECT: 2022\_09\_08\_18\_21\_04\_640x368.wmv

8 LINK: [https://www.bnnbloomberg.ca/](https://www.bnnbloomberg.ca/technology/video/cryptocurrencies-xrp-ethereum-and-litecoin-soar-to-record-highs-after-bitcoin-s-rise~1284604)

9 technology/video/cryptocurrencies -

10 xrp-ethereum-and-litecoin-soar-to-

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16 VIDEO TRANSCRIPTION

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1 P R O C E E D I N G S

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3 JOHN: In her last news conference as Chair of  
4 the U.S. Federal Reserve, Janet Yellen set her sights on  
5 Bitcoin. Yellen told reporters the cryptocurrency is  
6 not a stable store of value and is a highly speculative  
7 asset. Take a listen.

8 (Recording plays.)

9 MS. YELLEN: I would simply say that Bitcoin  
10 at this time plays a very small role in the payment  
11 system. It is not a stable source of -- store of value,  
12 and it doesn't constitute legal tender. It is a highly  
13 speculative asset.

14 (End of recording, newscast resumes.)

15 JOHN: And while we've spoken endlessly about  
16 Bitcoin's meteoric rise of late, other cryptocurrencies  
17 have also soared to new record territory, including  
18 Ethereum, Litecoin, and the one in this chart, XRP. As  
19 you can see in this table, XRP is having a huge move,  
20 making its way up to fourth in terms of the largest  
21 cryptocurrencies around the world, measured by market  
22 cap, overtaking Litecoin.

23 Joining us from San Francisco, via Skype, is  
24 Brad Garlinghouse, who is the CEO of Ripple, which is  
25 the company behind XRP. Brad, always good to see you.

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1 Thanks for joining us.

2 MR. GARLINGHOUSE: John, nice to see you.

3 Thanks for having me on board.

4 JOHN: You were with us in October. You were  
5 hosting a big conference around what Ripple is all  
6 about, which is embracing the world of Blockchain, and a  
7 healthy relationship with the existing banking industry.  
8 Since then, though, it feels like now the world is  
9 talking about cryptocurrencies because of this Bitcoin  
10 boom and the boom in the currency at your company.  
11 What's been your reaction?

12 MR. GARLINGHOUSE: Well, certainly I think  
13 2017 could easily go down as the year of crypto. And  
14 it's -- I think the enthusiasm in many cases is very  
15 well placed, and that there's a lot of opportunity --  
16 there's a lot of potential in these technologies. You  
17 know, for Ripple, we have taken a point of view that we  
18 have to work with the regulators. We have to work with  
19 the banking system. This isn't something that's going  
20 to revolutionize the system from the outside. And you  
21 know, the banking industry is appropriately a very  
22 regulated industry, because there's real money involved.  
23 There's risk to companies. There's risk to  
24 individuals.

25 So Ripple has taken a unique point of view.

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1 And I think the reason why XRP has performed so well  
2 this year, we're solving a real problem. It's a multi-  
3 trillion dollar problem around cross-border payments.  
4 There's a lot of friction. It's very slow. It's  
5 expensive. We're working with the institutions to  
6 deliver on that. And so people have gotten excited. We  
7 now have over a hundred customers we've announced  
8 publicly.

9 JOHN: So there's that part of the business,  
10 but then there's just this speculation of people getting  
11 excited about cryptocurrencies just being assets that  
12 don't seem to be slowing down. They keep going up and  
13 up and up. How do you manage that? How do you sort of  
14 try to grow a business while you have this  
15 cryptocurrency that is on fire, in theory kind of  
16 raising expectations for the underlying business behind  
17 it?

18 MR. GARLINGHOUSE: You know, John, it is a  
19 great question. One of the things that I feel really  
20 strongly about and certainly have been proactive in  
21 pointing out, at the end of the day, the value of  
22 digital assets will be driven by their utility. If  
23 they're solving a real problem and that problem has  
24 scale and that problem actually -- you know, there's  
25 real value there, then there will be demand for the

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1 tokens and the price of the tokens will go up.

2 For XRP, we've seen, because it's required,

3 it's something that can really reduce the friction, and  
4 we're talking about a multi-trillion dollar problem in  
5 how cross-border payments flow. And so I think if you  
6 drive real utility, yes, there's going to be demand for  
7 that. When you have fixed supply, and these digital  
8 assets, unlike traditional fiat currencies, have  
9 generally speaking fixed supply, and you see increasing  
10 demand, prices go up.

11 I think increasingly people have realized --  
12 so Bitcoin is up about 17X this year, which is -- that's  
13 tremendous.

14 JOHN: Yeah.

15 MR. GARLINGHOUSE: Other assets, XRP is up  
16 100X this year.

17 JOHN: Yeah.

18 MR. GARLINGHOUSE: And I think it's because  
19 the problem we're solving, people realize, is a real  
20 problem, it's a big problem.

21 Bitcoin is really solving almost a stored  
22 value problem. It's digital gold. And gold is an 8  
23 trillion dollar asset. Bitcoin today is around a 300  
24 billion dollar asset. Maybe 250, 300 billion dollar  
25 asset. So you can certainly argue that Bitcoin has got  
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1 a lot of upside.

2 We think about the transaction time and the  
3 speed of what XRP can do is really where we think -- the  
4 reason why there's been even more excitement around XRP  
5 this year.

6 JOHN: Let's talk about the speed at which  
7 your business is growing. I mean, when you were with us  
8 in October, I think you talked about the whole  
9 cryptocurrency market valuation being close to 200  
10 billion. We've soared through that.

11 MR. GARLINGHOUSE: Yes.

12 JOHN: We know that much. And at the time you  
13 had more than 100 customers, which was a big milestone  
14 for you. Have you guys seen more partners coming sort  
15 of onboard to sort of you know, find common ground with  
16 you?

17 MR. GARLINGHOUSE: Absolutely. You know, one  
18 of the things I think, because of the excitement,  
19 because of the attention, people are looking for those  
20 real-world use cases. They don't want science  
21 experiments. They want real demonstrable value that  
22 they can use. And so as an example we actually hosted  
23 an event in New York City, like this was last month. It  
24 was a Central Bank Summit. We had about 30 central  
25 bankers from around the world who are trying to

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1 understand the implications of blockchain technologies,  
2 the implications of cryptocurrencies, crypto, what I  
3 call digital assets.

4 And I think bringing together those, you know,



5 several dozen central bankers to understand and really  
6 share within themselves -- you know, Ripple was there  
7 obviously hosting this event and talking about how  
8 Ripple is working with the system, which is obviously in  
9 contrast to how many are working.

10 But, you know, the interest in this space is  
11 appropriately extremely high, because it really does  
12 have the opportunity to revolutionize how many, many  
13 transactions happened in many industries.

14 JOHN: So you mentioned central bankers. The  
15 best-known one on the planet, Janet Yellen, just shared  
16 her view yesterday. You heard those comments. She  
17 calls Bitcoin a highly speculative asset.

18 What do you think about -- would you agree?  
19 And would you agree on the same terms with respect to  
20 XRP?

21 MR. GARLINGHOUSE: You know, when I hear  
22 people talk with us, it's certainly -- also somewhat  
23 famously Jamie Dimon, the CEO of JP Morgan, came out,  
24 talked down Bitcoin.

25 You know, the thing I think about -- and you

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1 were out in Silicon Valley earlier in your career. In  
2 the late 90s, the East Coast and some of the  
3 institutional kind of establishment, they were shorting  
4 Amazon. The West Coast was going long Amazon. You  
5 know, today, Amazon is one of the most valuable  
6 companies on the planet.

7 I think there's a movement happening, there's  
8 a change happening in terms of what digital assets, what  
9 blockchain represents, to how financial systems can  
10 work, whether it's securities trading, whether it's even  
11 trade finance. There's many different use cases.

12 Ripple has focused on payments. We've gotten  
13 a lot of traction there. So I understand why she says  
14 that. But it all comes back to that comment I made  
15 earlier about utility. If digital assets are solving a  
16 real problem, these are big market opportunities, then  
17 digital assets are going to have a lot of value.

18 JOHN: I just want to ask you a question about  
19 secrecy. I mean, here you are, you're the CEO of this  
20 business that is embracing blockchain, you have your own  
21 cryptocurrency.

22 We were reminding viewers this week, you know,  
23 a few years ago I was out trying to determine if this  
24 guy in Temple City, California was the creator of  
25 Bitcoin. It turned out that he wasn't. But it is still

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1 a mystery who, if there is a particular person, is  
2 behind Bitcoin.

3 Since you're right in front of me and a lot of  
4 people are trying to figure out about, you know, should  
5 I invest in this cryptocurrency or that one -- are you  
6 personally invested in XRP? With this runup are you

7 taking profits on that investment if you have one? I  
8 mean, in the purpose of having some transparency around  
9 what's going on right now.

10 MR. GARLINGHOUSE: To be transparent, I'm long  
11 XRP. I'm very, very long XRP as a percentage of my  
12 personal, you know, balance sheet. I'm also long  
13 Bitcoin.

14 I'm not long some of the other assets, because  
15 it is not clear to me, you know, what's the real  
16 utility. What problem are they really solving? And  
17 there are some of these digital assets where I think  
18 there's just, the hype and reality is a little bit out  
19 of balance.

20 Over time, hype and reality come into  
21 equilibrium, and I think prices will adjust to reflect  
22 that.

23 But again, it goes back to, if you're solving a  
24 real problem, because it's a scaled problem, then I  
25 think you have a huge opportunity to continue to grow

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1 that.

2 We've been really fortunate obviously. I  
3 remain very, very, very long XRP. There's an expression  
4 in the industry of HODL. Instead of HOLD, it's HODL,  
5 because of a typo. Kind of an inside baseball thing.  
6 And certainly, I'm on the HODL side.

7 JOHN: All right. Well, it's fascinating to  
8 watch. We'll look into checking in with you as this  
9 story unfolds. Brad, thanks for your time as always.

10 MR. GARLINGHOUSE: Good to see you, John.

11 JOHN: Brad Garlinghouse, the CEO of Ripple,  
12 behind the XRP cryptocurrency, which has been surging of  
13 late. Coming up --

14 (End of video.)

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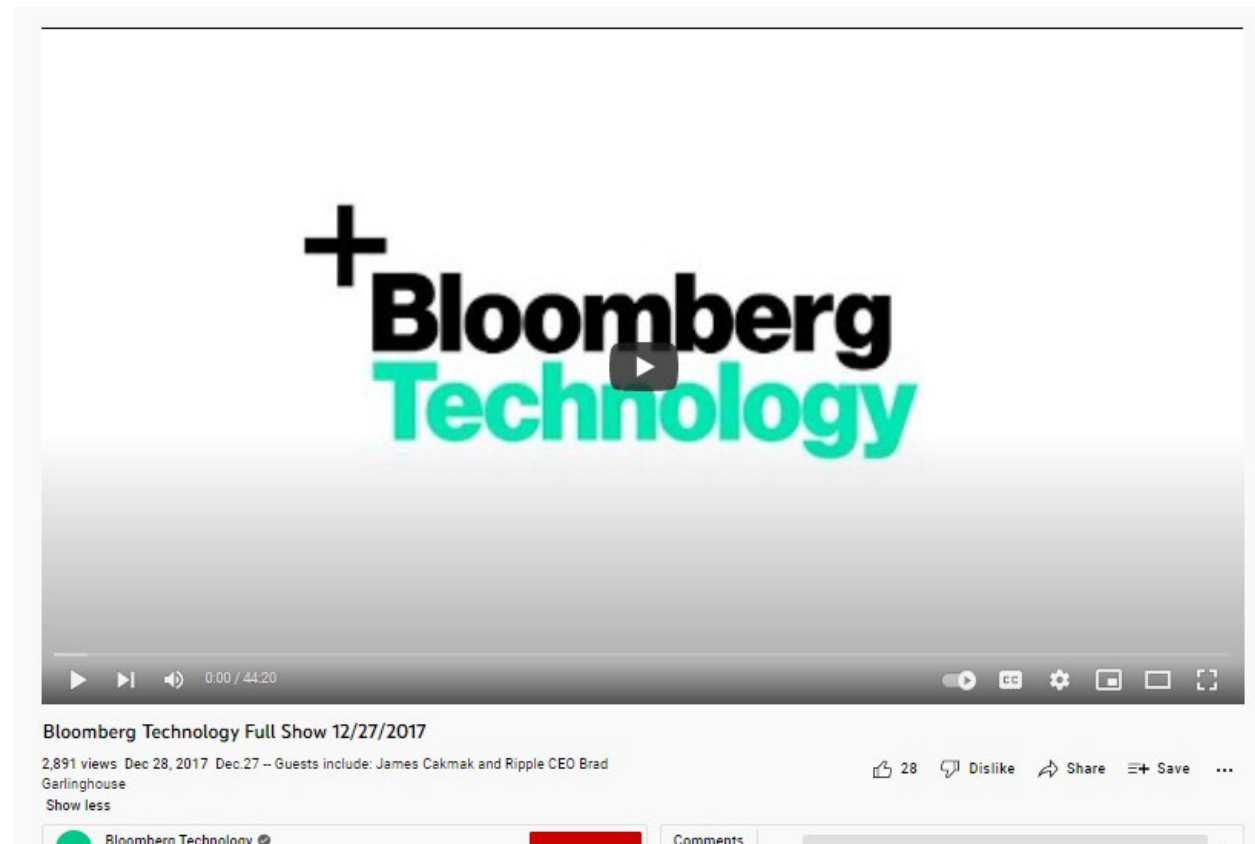
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Interview with Brad Garlinghouse, 12/27/2017, via Bloomberg Technology

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MR. JOHNSON: I'm Cory Johnson in for Emily

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Chang, and this is Bloomberg Technology. Coming up, big

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tech, big gains, Facebook, Google, Amazon, all show big

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success in 2017. There will be headwinds in the coming

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year. We'll discuss, and among the top cryptocurrencies

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of the year, Ripple is breaking out from Bitcoin's

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shadow. We're talking to Ripple's CEO, Brad

10 Garlinghouse.

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And we'll look back on the tech leaders who

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helped shaped 2017 with highlights from some big

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conversations, Satya Nadella of Microsoft, Cheryl

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Sandberg of Facebook, and (inaudible) of Soft Bank, but

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first, let's get to our lead as we close out 2017, big

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cap tech holding on historic gains raked in over the

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year thanks to record profits, a solid userbase, and

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promising user growth for a lot of companies. Just big

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gains from the biggest names in technology, but a big

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tech reckoning could come in 2018. Greater regulation,

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oversight from the government, certainly fake news is --

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it's shadow is large.

23

Here to wrap us up, a man who casts his own

24 shadow, James Cakmak (inaudible) in New York. James,  
25 good to see you as always. It's interest that, you

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1 know, that I love the way that you have covered these  
2 companies because you know, you're looking at a lot of  
3 these very big companies, but with a skeptical eye and  
4 at some of the tough issues we've seen them show. When  
5 you look at them, who's sort of got the toughest haul in  
6 the coming year?

7 MR. CAKMAK: Yeah, I mean, look, it's been an  
8 interesting year, because all these companies have  
9 posted tremendous financial success and definitely grown  
10 much bigger than I thought -- I think what many thought  
11 in the beginning of the year in their own right. But at  
12 the same time, we saw all this regulatory scrutiny  
13 across all the companies.

14 The election certainly didn't help, you know,  
15 with that scrutiny, but as we look into 2018, I think  
16 that you can handicap it as Amazon is likely in the  
17 driver's seat when it comes to favorable tailwinds --  
18 favorable winds when it comes -- with regulatory  
19 environment, but as you move down that list within the  
20 fan group, I think Google is next.

21 They used to be the politically savvy, but  
22 then you have Facebook that I think that they're drawing  
23 ire from both sides of the political spectrum. I think  
24 it's going to get worse as we approach the midterm  
25 elections later in 2018. So, I think that that scrutiny

0004

1 will only escalate from here, at least from the headline  
2 perspective.

3 MR. JOHNSON: Well, so -- all right, so, bad  
4 fake news headlines is what you're predicting here for  
5 probably Twitter -- I'll throw that one in there too as  
6 a company --

7 MR. CAKMAK: Sure.

8 MR. JOHNSON: -- you've covered, I know, but  
9 Twitter, Facebook, YouTube, part of Google.

10 MR. CAKMAK: Mm-hmm.

11 MR. JOHNSON: Do you think that actually hurts  
12 financial results to -- you know, over the weekend  
13 actually Facebook introduce this feature that let you  
14 find out if you actually retweeted or favorited or  
15 reposted something from a fake -- from a Russian fake  
16 news site. I thought it was an interesting response,  
17 but done very quietly over the holiday weekend.

18 MR. CAKMAK: Yeah. I think financially  
19 speaking, the -- it's full steam ahead for all of these  
20 companies. You have Amazon continuing to gain shares  
21 versus traditional retail. Facebook continuing to gain

22 share versus traditional media outlets. Google, the  
23 same story there.

24 Twitter, you know, they're trying to carve out  
25 a path of their own going more niche, but at the end of

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1 the day, I mean, these companies will continue to grow.

2 I think that the -- from a financial standpoint --

3 MR. JOHNSON: Wait. So, what you're saying --  
4 so, what you're saying is a lot of headlines, who cares,  
5 it's not going to affect their financial results?

6 MR. CAKMAK: Yeah. It's not going to affect  
7 their financial results, but you do have to think about  
8 from a stock perspective, you know, the degree of  
9 multiple expansion that's in there. Obviously we have  
10 the earnings power, but at the same time, valuations  
11 have been steadily rising for all these companies.  
12 They're still relatively attractive for valuation  
13 relative to their growth rate, but you know, I do think  
14 that that is something that investors will definitely  
15 need to consider.

16 MR. JOHNSON: So, do we separate investment  
17 results from some of those other companies? I mean, one  
18 of those things -- you know, you mentioned legal  
19 problems potentially --

20 MR. CAKMAK: Mm-hmm.

21 MR. JOHNSON: -- not looming for amazon, but  
22 boy, there is no company that scares -- you know, they  
23 used to say when Mike Wallace would knock on the door,  
24 don't answer it because 60 Minutes is outside trying to  
25 bust you with something. Well, Amazon comes into your

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1 business model --

2 MR. CAKMAK: Yeah.

3 MR. JOHNSON: -- every CEO in America is  
4 scared of that, whether it's a small business or a large  
5 business, and I wonder if there's a time when regulatory  
6 concerns will concern Amazon, not least of which because  
7 this president doesn't like the Washington Post, which  
8 is owned by Jeff Bezos.

9 MR. CAKMAK: Sure. I think it will come, but  
10 it will come later, because right now you're in a  
11 situation where you have the Amazon moving closer to all  
12 of the federal agencies with AWS. You have them  
13 shopping around their second headquarters where all  
14 these cities are clamoring for attention to get that.  
15 And then --

16 MR. JOHNSON: Which means you're going to tick  
17 off every single city you didn't choose. That's not  
18 going to solve political problems, it's going to make --  
19 it's going to make political problems.



20 MR. CAKMAK: Yeah, but at the same time, you  
21 also have all these new fulfillment centers that will  
22 open up from a headline perspective, new jobs and what  
23 not. So, I think Amazon is safe for now, but I think  
24 that once you trigger some major headlines, such as  
25 reaching up to a trillion dollars in value, I think that

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1 that will reopen the floodgates for regulators to come  
2 in.

3 Because right now, I think regulators are  
4 going to be more focused on things that could  
5 potentially affect the election, unless, you know, the -  
6 - because if this was actually an issue, the FTC would  
7 have scrutinized the Whole Foods acquisition a hell of a  
8 lot more than just a one-sentence response, which we  
9 think was -- we think was -- it wasn't -- it wasn't the  
10 right thing to do.

11 MR. JOHNSON: You're putting your -- you're  
12 putting your faith -- you're putting your faith in  
13 government regulators, really, James? You are?

14 MR. CAKMAK: Look --

15 MR. JOHNSON: Seriously?

16 MR. CAKMAK: I -- I'm not -- I'm just saying  
17 that here are priorities, and then there are incentives,  
18 and what are the regulators incentivized to do? It's  
19 incentivized, you know, to attack the things that, you  
20 know, can affect the -- you know, their political  
21 prospect, and Amazon --

22 MR. JOHNSON: I do say -- yeah, no, I get it.  
23 I'll give you that.

24 MR. CAKMAK: Yeah.

25 MR. JOHNSON: I was just giving you a hard

0008

1 time.

2 MR. CAKMAK: I think in 2018 -- the bigger  
3 story for 2018 is all these companies have been growing  
4 in their own right, but --

5 MR. JOHNSON: Right.

6 MR. CAKMAK: -- I think that what you'll see  
7 in 2018 is for them to start to encroach onto each  
8 others' territory. You know, you have the Google versus  
9 Amazon battle brewing. You have the Google versus  
10 Facebook battle brewing, and I think that those battles  
11 will continue to escalate.

12 So, it will be a question of -- well, not if  
13 these companies will get bigger, but will there be, you  
14 know, a zero sum type of aspect where share shifts --

15 MR. JOHNSON: Yeah.

16 MR. CAKMAK: -- will start to occur between  
17 the two, and I think --

18 MR. JOHNSON: It is --

19 MR. CAKMAK: -- that will be interesting.

20 MR. JOHNSON: It is curious that whether a  
21 duopoly of advertising of Facebook and Google, you  
22 really do have Amazon growing a big advertising  
23 business, and with the lock on search that Google has --

24 MR. CAKMAK: Mm-hmm.

25 MR. JOHNSON: -- with the devices like Echo,  
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1 you actually see Amazon getting into search in its own  
2 way.

3 MR. CAKMAK: Yeah. Exactly, because you're  
4 eliminating the incentive to search on Google explicitly  
5 when you can introduce a discovery mechanism on Amazon.  
6 Because you're -- when you look at Google, the product  
7 listing ads have been the bread and butter for the  
8 company in recent years, and just shift that away, and  
9 then if you look at the content side of the equation  
10 where they're starting -- where Amazon is likely going  
11 to be the biggest content spender in the industry,  
12 potentially even eclipsing Netflix, you know, so what  
13 are the implications there for YouTube and Facebook as  
14 well?

15 MR. JOHNSON: James Cakmak. Always a  
16 pleasure. James Cakmak does a terrific job over there  
17 at (inaudible). They're lucky to have him.

18 MR. CAKMAK: Thank you.

19 MR. JOHNSON: Thank you very much.

20 MR. CAKMAK: Happy holidays.

21 MR. JOHNSON: All right. If there's one  
22 headline for 2017, it was fake news looking to start a  
23 fire. Take a look at the fake news hits of the year,  
24 and what social media companies are doing to curb their  
25 spread.

0010

1 MS. FRIAR: 2017 is the year we realized how  
2 quick and easy spreading misinformation on social media  
3 is, and how profitable the spread of fake news can be.

4 Before the US presidential election, fake news  
5 was a get rich quick scheme to cash in on online  
6 advertising, but this year we learned it is also a tool  
7 to disrupt democracy.

8 The Kremlin-backed Internet Research Agency  
9 reached over 150 million Americans on Facebook with  
10 inflammatory posts intended to start conflict over  
11 issues like race and religion.

12 This was done with 80,000 posts boosted by  
13 \$100,000 in ad spending.

14 MR. WARNER: These ads are just the tip of a  
15 very large iceberg.

16 MS. FRIAR: And it resulted in Google,  
17 Facebook, and Twitter all testifying in hours of  
18 Congressional hearings about Russia's tactics and how  
19 they can try to stop them.

20 But it's not limited to the US. The spread of  
21 fake news became a global issue in 2017. France and  
22 Germany successfully fighting the scourge in their own  
23 elections. In the meantime, other governments are using  
24 Facebook as a tool to spread propaganda.

25 A genocide in Myanmar of the Rophingya Muslim

0011

1 population, and an attack in the Philippines on a local  
2 news organization, and much more. So, just what can big  
3 tech do to reign this in?

4 Facebook is trying the human route, hiring  
5 thousands of people to sift through all that content,  
6 but critics also worry about social media companies  
7 taking too many liberties and going too far with their  
8 censorship.

9 Twitter said they shut down thousands of  
10 accounts and are taking steps to get tougher on  
11 extremists while investigating further. No matter what  
12 the sites do, one thing is for sure, fake news is going  
13 to get harder to stop.

14 Facebook often argues that it's a technology  
15 company, not a media company. Well, to take on fake  
16 news in 2018, it may have to be both.

17 MR. JOHNSON: And that was Bloomberg's Sarah  
18 Friar. Coming up, our exclusive conversation with  
19 Microsoft CEO Satya Nadella, and the dangers of AI, the  
20 importance of Windows to Microsoft's future as well, and  
21 Bloomberg Technology is livestreaming on Twitter. Check  
22 this out, go to @technology, weekdays at 5:00 on the  
23 East Coast, 2:00 on the West Coast. This is Bloomberg.

24 Check this out. New York City is thinking  
25 about adding an extra fee on every single Uber ride in

0012

1 Manhattan. It will also affect other ride sharing  
2 companies like Lyft, according to a story in the New  
3 York Times.

4 Around 68,000 cars affiliated with ride  
5 sharing services currently in New York City streets.  
6 Also, US cities like Seattle, like Chicago, Portland,  
7 also have implemented their own ridesharing fees to work  
8 on congestion and encourage public transportation.

9 Well, all week we're bringing you highlights  
10 from some of the best interviews of 2017 in September.  
11 Emily Chang sat down with Microsoft CEO Satya Nadella,  
12 Bloomberg Studio 1.0. She asked -- started by asking  
13 him about why it's important for Microsoft to keep

14 making its own hardware, and whether or not Microsoft  
15 would ever make a phone again.

16 MR. NADELLA: Key to us -- one of the key  
17 things, I guess it's Alan Kay who said if you're serious  
18 about your software, you make your own hardware. I  
19 think there's some truth to it, and the reality is, we  
20 will always invest in hardware to create new categories.

21 MS. CHANG: So, would you ever make a phone  
22 again, and under what conditions?

23 MR. NADELLA: I mean, one of the things that  
24 we have sort of said multiple times is, look, at this  
25 point, what is needed is for us to not be obsessed about

0013

1 categories that are well served, not at least on current  
2 rules.

3 What is considered a phone today will be very  
4 different in the future. The question is, even take  
5 holo-lens. Is it a mobile device? Yeah, it is. It's  
6 untethered, it's battery powered, you wear it on your  
7 eyes. What is the future of those kinds of devices?

8 So, to me, Microsoft will always be in this  
9 end to end computing experiences business, but our goal  
10 is to invent categories and reinvent categories.

11 MS. CHANG: You talk about three big strategic  
12 bets for the future in your book, Mixed Reality AI:  
13 Quantum Computing. On the issue of AI, are you at all  
14 concerned that Google or Facebook or Amazon or Apple  
15 could outpace Microsoft on AI, and then become dominant  
16 in AI -- this AI future that we keep hearing about?

17 MR. NADELLA: You know, to me, what is  
18 Microsoft's approach will be all around, how do we take  
19 AI? Today, it's a little, you know, perverse in the  
20 sense that everybody says, oh, look at me, how cool I am  
21 because of the AI capability. That's not how Microsoft  
22 approaches any problem. It's not about any, you know,  
23 parlor trick of ours, and our progress that we  
24 celebrate. The most important thing to us is, our we  
25 democratizing so that every customer of ours can build

0014

1 their own AI?

2 Because if you really are going to have this  
3 fourth industrial revolution, we better figure out a way  
4 to democratize it so that every company, whether it's a  
5 small non-profit, or a large multinational can use AI in  
6 the context of their endeavor. That's kind of what we  
7 want to do.

8 MS. CHANG: Is Elon Musk right to be warning  
9 about the dangers of AI, whether it's the military  
10 applications or otherwise?

11 MR. NADELLA: With any new technology, there

12 is a lot of good that comes with it, and we should first  
13 grab hold of it, and then be clearer eyed about any  
14 unintended consequences.

15 MS. CHANG: Mm-hmm.

16 MR. NADELLA: So, we've got to be able to use  
17 AI to first help empower humans, but that said, wherever  
18 AI, you know, is -- runs amok, or we lose control, that  
19 could be dangerous. And so, I think the first  
20 responsibility we have, instead of thinking that that's  
21 going to happen, let us encode or enshrine a set of  
22 design principles.

23 MS. CHANG: Mm-hmm.

24 MR. NADELLA: So, I think that we shouldn't  
25 abdicate our responsibility, like good user experience,

0015

1 there is such a thing called good AI. At least, I'm of  
2 a firm belief that what is the need of the hour is for  
3 us as creators of AI to enshrine those principles.

4 MS. CHANG: So, robots could take over the  
5 world, but hopefully not?

6 MR. NADELLA: Yeah. It's up to us.

7 MS. CHANG: What is the one product that the  
8 competition got to first that you wish Microsoft could  
9 have invented?

10 MR. NADELLA: You know, look, if I look back  
11 at history, there are many products. Quite honestly, I  
12 wish we had gotten even to the relational database  
13 before Oracle. Because if you think about one of the  
14 most amazing pieces of technology, or before IBM. So, I  
15 just don't worry as much about looking at either the  
16 product or the technology.

17 Somebody else got to it. The question is, are  
18 we able to go back to that sense of purpose that we have  
19 of what we can do with the technology, how novel and new  
20 it is. It has to be something that fits with our  
21 identity. As I said, even if somebody else gets to a  
22 quantum computer first, what are they going to do with  
23 it versus what we're going to do with it is going to be  
24 probably very different.

25 MS. CHANG: You now build many of your

0016

1 products for several different operating systems. So  
2 given that, what is the future importance of Windows to  
3 the Microsoft future in general?

4 MR. NADELLA: Windows, there's billion users  
5 of Windows. 300 million PCs got sold last year, and it  
6 continues to be a very significant part of what we do,  
7 but it's not the only part. I think that's the change  
8 for us, which is, we now have a much more diverse,  
9 robust business.

10 We have Xbox and gaming, which, by the way,  
11 spans both PC gaming and the console gaming. We have  
12 more than 55 million Xbox live subscribers. We have the  
13 Windows business. We obviously have our Office 365  
14 services that are a part of it. We have linked in. We  
15 have Dynamics 365, we have Azure and our hybrid  
16 infrastructure.

17 So, Microsoft in that sense is a much more  
18 diversified portfolio, with linkages between them.  
19 That's, I think, how we're going to keep going forward.

20 MR. JOHNSON: That was Microsoft CEO Satya  
21 Nadella speaking with Bloomberg's Emily Chang. Coming  
22 up, we're going to take a closer look at a start up that  
23 has 18 employees, no revenue, a valuation of \$1.2  
24 billion. How can that be possible? Blockchain. It's  
25 the magic word.

0017

1 Also a reminder of our interactive TV  
2 function. You can find TV Go on the Bloomberg. You can  
3 watch us live. If you miss any interview, just go right  
4 back to it on TV Go.

5 You can send the producers a message even  
6 while the show is going on. Play along (inaudible)  
7 actually bring you on the air, which is for Bloomberg  
8 Subscribers only, worth the price of admission. Check  
9 it out at TV Go. This is Bloomberg.

10 Well, Bitcoin's freakish surge in the last few  
11 months of the year saw a lot of companies trying to cash  
12 in on the crypto craze by pivoting their business  
13 models, or at least their descriptions as blockchain  
14 companies.

15 That includes a Hong Kong based start up  
16 called UBI, blockchain internet. The stock has seen  
17 massive gains up a thousand percent -- more than a  
18 thousand percent for the year, with some crazy volume.  
19 I wrote about investor interest in the company for a  
20 story on Bloomberg News. You can check it out at  
21 Bloomberg.com.

22 You can check it out on the Bloomberg  
23 terminal, but better yet, stay here and talk about this  
24 story with Julie Verge, Bloomberg news reporter who is  
25 up on all these things with these Bloomberg (inaudible)

0018

1 was really up on all these stocks. It's really  
2 interesting to me that this isn't just about speculation  
3 on currencies and stores of value.

4 We have stocks and companies renaming  
5 themselves, announcing new business plans, like this one  
6 I wrote about that used to be called JA Energy that was  
7 something like a plant to energy business, reverse

8 merges and becomes a bitcoin company, or a blockchain  
9 company.

10 MS. VERGE: Right. This is a prime example of  
11 what's been going on in the past month or two in  
12 particular in that there is a juice maker that decides  
13 to put blockchain in its name. There's a sports bra  
14 maker that decides to put blockchain in its name, an e-  
15 cigarettes company that does the same thing, and --

16 MR. JOHNSON: Wait, sports bras --

17 MS. VERGE: Sports bras.

18 MR. JOHNSON: -- in blockchain?

19 MS. VERGE: I know. I mean, who would have  
20 thought blockchain could help the manufacturing process  
21 for sports bras, I guess? But the thing is, none of  
22 them are actually doing anything in blockchain it seems  
23 like.

24 It's just adding that to the name, sort of  
25 like the late 90s, early 2000s when companies were

0019

1 adding .com to their name, not really doing anything  
2 with the internet, but their stocks would surge, right?  
3 It's just déjà vu all over again.

4 MR. JOHNSON: Well, when I was a money  
5 manager, when I was looking for stocks that I didn't  
6 believe in, then I would look for things that were right  
7 along -- aligned with a trend. A social media company  
8 that didn't have a social media network, or a wireless  
9 company that didn't have a wireless product.

10 So when I saw this one, not that it's -- I  
11 don't know if it's fake or real or what it is, but when  
12 I saw that it has both internet of things and blockchain  
13 in its description, and it has zero revenues and over a  
14 billion dollars in valuation, I thought --

15 MS. VERGE: Mm-hmm.

16 MR. JOHNSON: -- this one is worth kicking  
17 around a little bit.

18 MS. VERGE: Right. Not even just no revenues.  
19 It has basically \$15,000 in cash on hand, you write in  
20 your story, they're burning through about \$220,000 a  
21 month.

22 It doesn't seem like a company that was one  
23 that should be soaring in valuation, right? I think  
24 there was a quote in your story from a professor  
25 actually saying that the profile of the company is

0020

1 scary, and that basically is the summation of what this  
2 whole thing is.

3 MR. JOHNSON: And that's just not any  
4 professor. It's Charles Lee, an accounting professor at  
5 Stanford Business School who has written very positively



6 about Chinese reverse mergers. Even then, he finds this  
7 one concerning.

8 The other thing I did is go back and look at  
9 the progeny. Who is behind this deal? And I was really  
10 surprised to see they only list four executives, and  
11 three of the people, the company -- a former director  
12 and two other former executives had something called  
13 American bio-engineering -- American Chinese Bio-Energy,  
14 AOB, right? American Oriental Bio-Engineering, and  
15 their product was called the urine stopper. Their  
16 expertise was in stopping bedwetting.

17 MS. VERGE: And you managed to get bedwetting  
18 into a headline at Bloomberg. I love you for that --

19 MR. JOHNSON: It's --

20 MS. VERGE: -- Cory.

21 MR. JOHNSON: It's -- I appreciate the love.  
22 It's my finest achievement as a Bloomberg employee for  
23 these 10 so many years. No, but these guys -- I mean,  
24 that's just it, I mean, you know, I talked to one of the  
25 lawyers for the company and I said, you know, if these

0021

1 guys have an expertise in bedwetting, how can they have  
2 a company that's based in blockchain, besides the fact  
3 that the company -- the bedwetting products supposedly  
4 had radioactive protons that were going to energize the  
5 product, and it was licensed from the University of  
6 California at Berkley, and neither of those things  
7 turned out to be true, what's the connection between  
8 bedwetting and bitcoin, and they said, well, no one has  
9 experience in bitcoin. That's the great thing about it.  
10 It's new to everybody.

11 MS. VERGE: Right, so you can't be, like,  
12 well, you know, there's a reason why people don't have  
13 blockchain or bitcoin on their resume now is because  
14 it's so new they haven't had time to add it. Although  
15 blockchain has been around for a while, so I might take  
16 a little bit of an argument with it at that point. It  
17 would seem to be like if you do have some experience,  
18 you would want to have that on your resume, right? And  
19 it sounds like they weren't very easy to get in contact  
20 with when you were writing this story.

21 MR. JOHNSON: Yeah. One of the main -- the  
22 main phone number listed from the SEC filing -- well,  
23 the most recent filing doesn't even have the full phone  
24 number. The previous number, the number rang  
25 disconnected. So, it's an -- it's an interesting

0022

1 company with a billion dollar market cap, and they split  
2 the stock three to one today, so it's much more exciting  
3 for --



4 MS. VERGE: It's keeping --  
5 MR. JOHNSON: -- the future of this company.  
6 MS. VERGE: -- day traders busy, right?  
7 MR. JOHNSON: It's doing that certainly.

8 Thanks. Julie Verge. So, thank you very much, from  
9 Bloomberg News, we appreciate your time. All right, up  
10 next, we continue the cryptocurrency conversation. The  
11 CEO of Ripple, big, important cryptocurrency. We're  
12 talking about how this company is actually using  
13 blockchain in the field of banking. This is Bloomberg.

14 MS. LEINZ: I'm Kailey Leinz in New York, and  
15 you're watching Bloomberg Technology. Let's start with  
16 a check of your first word news. Former President Obama  
17 gave his first interview since leaving the White House.  
18 Speaking with BBC Radio guest editor Prince Harry, Mr.  
19 Obama warned about the use of social media by world  
20 leaders.

21 PRESIDENT OBAMA: All of us in leadership have  
22 to find ways in which we can recreate a common space on  
23 the internet. One of the dangers of the internet is, is  
24 that people can have entirely different realities. They  
25 can be just cocooned in information that reinforces

0023  
1 their current biases.

2 MS. LEINZ: Mr. Obama did not mention  
3 President Trump by name. The IRS says 2018 property  
4 taxes can be deductible if they are assessed and paid in  
5 2017. Residents in high tax states have been rushing to  
6 prepay next year's property taxes before new rules from  
7 President Trump's tax plan overhaul kicks in.

8 At least ten people are wounded after an  
9 explosion at a supermarket in Russia. Investigators say  
10 an explosive device went off in a storage area of the  
11 store in St. Petersburg. No one has yet claimed  
12 responsibility for the blast.

13 And in Russia, President Vladimir Putin has  
14 submitted the nomination papers required for him to run  
15 for reelection as an independent. Putin is seeking his  
16 fourth presidential term. He has a current approval  
17 rating of about 80 percent heading toward the March  
18 election.

19 Global news, 24 hours a day, powered by more  
20 than 2,700 journalists and analysts in more than 120  
21 countries. I'm Kailey Leinz, this is Bloomberg, and  
22 it's just after 5:30 p.m. here in New York. It's 6:30  
23 Thursday morning in Hong Kong. I'm joined by  
24 Bloomberg's David Ingles with a look at the markets.  
25 David, good morning.

0024  
1 MR. INGLES: Good morning, Kailey. So, yeah,

2 as we get underway to the stories, there are just a few  
3 things to note of course. A lot of data coming out over  
4 the next hour.

5 So, we have factory output numbers for  
6 November out in Japan and South Korea. South Korea  
7 comes out in about 30 minutes time, as it of course  
8 reopened over in Sidney. We're essentially looking at a  
9 flat to lower start. You do some simple math here, and  
10 Nikkei 225 may be about a tenth of one percent lower at  
11 the open.

12 As you can see, of course, a little bit  
13 stronger on the yen there against the US dollar. New  
14 Zealand, uninspired at the open, flat as well. Have a  
15 look at these yields, though, and certainly the story  
16 that we will be following is whether or not we get  
17 another leg up at the moment. Very early on, of course,  
18 we're not seeing that across some of these bond markets  
19 that are already up and running here in the Asia-  
20 Pacific.

21 Just one other thing to note before I go, two  
22 trading days left in the Asia-Pacific, and we're about  
23 to give or take a third of one percent short of that  
24 record high. If we get there, that's a trophy at the  
25 end of the year, but it has been a stellar one of course

0025

1 for equities in 2017. I'm David Ingles, here in Hong  
2 Kong, more from Bloomberg Technology next.

3 MR. JOHNSON: Well, this is Bloomberg  
4 Technology. I'm Cory Johnson. Digital currency,  
5 Ripple, breaking out of bitcoin's shadow. It's really  
6 exploded over the last week or over the last year. It  
7 is the leading cryptocurrency of the entire year, really  
8 stunning stuff.

9 Brad Garlinghouse, CEO of Ripple, joins me now  
10 from New York. Brad, always a pleasure to talk to you,  
11 and I have said that for years talking to you. I didn't  
12 have any idea that Ripple was going to become the kind  
13 of thing that it has become here, and it's interesting  
14 to me because you're so focused on having a functioning  
15 business built around blockchain, but you've also got  
16 this big honking valuable currency that you guys have a  
17 lot of.

18 MR. GARLINGHOUSE: There's no question, and I  
19 think as some of your earlier participants, you know,  
20 said, there's a lot of hype in this space, but I think  
21 there's also a lot --

22 MR. JOHNSON: You think?

23 MR. GARLINGHOUSE: -- a lot of hype, but  
24 there's a lot of reality, and Ripple has been very  
25 focused on, how do you create real utility and solve a

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1 real problem? And in this case, it's for cross-border  
2 payments, which is a multi-trillion dollar problem, and  
3 if we could reduce the friction there using blockchain  
4 technologies, we think we can create a lot of value for  
5 consumers, for banks, for the whole ecosystem.

6 MR. JOHNSON: Yeah. I mean, the whole thing  
7 of going to an ATM -- anyone who has travelled overseas  
8 and goes to an ATM machine and sees the massive fees  
9 slapped on there just to access their own money, often  
10 from the same bank that they use for -- in their native  
11 country knows what a problem this is, let alone the huge  
12 businesses that Western Union and others have moving  
13 currency.

14 But it looks like you're looking far beyond  
15 that, I guess, into actually what the banks themselves  
16 are paying.

17 MR. GARLINGHOUSE: You know, even within the  
18 banking community, there's a few banks that kind of sit  
19 on the top of the entire global payments infrastructure,  
20 and all the other banks end up paying them to help  
21 settle the global liquidity that's required for  
22 commerce, for small businesses, for retail, and across  
23 the board, it's kind of amazing that we still live in a  
24 world where to send money to London today, the fastest  
25 thing for you or I to do would be to drive to -- well,

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1 for you, for SFO, for me here in New York to JFK or  
2 Newark, and fly the money to London, that's crazy. We  
3 live in the age of the internet, and we can't move our  
4 own money in real time. And of course as you said, the  
5 costs here can be really high.

6 MR. JOHNSON: Yeah. It's a fascinating thing.  
7 It seems like the kind of thing -- I love when you talk  
8 about this, saying it's -- it should be simply as easy  
9 as sending an email or moving any other piece of digital  
10 information, downloading a website or whatever. When you  
11 make the sale for this business, to whom do you make the  
12 sale?

13 MR. GARLINGHOUSE: Well, we really are in the  
14 business of selling solutions, selling technology to  
15 banks. Part of that is simply a software sale, and part  
16 of that also for customers that want to take advantage  
17 of using a digital asset like XRP for liquidity, what  
18 that means is instead of pre-funding literally the  
19 trillions of dollars that banks have with other banks  
20 around the world, the pre-fund that amount that sits  
21 there and it's really dormant cash sitting there.

22 With digital assets, you can make that much  
23 more real time to enable a payment across a border into

24 another currency in real time. Today, Ripple is doing  
25 that into Mexico with companies like Qualix, and we

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1 certainly see that expanding with other partners and  
2 customers over time.

3 MR. JOHNSON: How much money is pre-funded,  
4 and how long does it typically sit there?

5 MR. GARLINGHOUSE: There's \$27 trillion  
6 sitting in these bank to bank accounts. They're called  
7 Voster accounts, because --

8 MR. JOHNSON: Yeah.

9 MR. GARLINGHOUSE: -- the bilateral  
10 relationship between the Bank of Cory and the Bank of  
11 Brad, you can put as much money as you want with the  
12 Bank of Brad, but this is --

13 MR. JOHNSON: And Brad, I want to make the  
14 same invitation to you, since it's the holidays, since  
15 we've been friends for a long time, you can put as much  
16 as you want in the Bank of Cory.

17 MR. GARLINGHOUSE: It's a problem that -- I  
18 appreciate that. It really is a problem that if we can  
19 reduce the time, the friction, the cost, we really can  
20 accelerate global commerce, and by reducing that  
21 friction, you accelerate that engine. It's good across  
22 the board. It's good for both companies in the United  
23 States. It's good for the unbanked communities across  
24 Africa. It really can fundamentally change the way the  
25 global financial infrastructure is wired.

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1 MR. JOHNSON: Wait, explain the -- explain the  
2 unbanked, because the issue of the unbanked is such a  
3 fascinating thing that a first worlder doesn't really  
4 think about much; I certainly don't. But explain how  
5 that helps.

6 MR. GARLINGHOUSE: Well, if you think about it  
7 today, the banks want to serve customers as long as they  
8 can serve them profitably. If they can't serve a  
9 customer profitably, they're not going to do it.

10 So, when you talk about a migrant workforce,  
11 for example, in Africa that has -- you know, is not  
12 obviously making a lot of money, and is taking that  
13 money from country to country, the cost of using the  
14 banking system would actually exceed the income that  
15 they would have.

16 If we could reduce the friction globally, and  
17 make it easier for that migrant worker to hold assets,  
18 to move those assets without costing them lots of money,  
19 they then become part of the banking -- the kind of  
20 global financial community.

21 I think that, you know, when we think about an

22 internet of value, and Ripple's long term kind of ten  
23 year vision is, how do we enable an internet of value?  
24 How do we enable value to move the way information moves  
25 today, as you referred to email as an example. It's

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1 really bringing those communities into the system, and  
2 allowing them to participate and benefit from being a  
3 part of that financial system.

4 MR. JOHNSON: I said email because I'm old. I  
5 should have said text messages or --

6 MR. GARLINGHOUSE: Sure.

7 MR. JOHNSON: -- snaps or something. But  
8 Brad, I want to -- I want to take you into the Bloomberg  
9 terminal. I think you've seen this. I sent you guys a  
10 screenshot earlier this week or a few weeks ago. When  
11 we had created this monitor of cryptocurrencies on the  
12 Bloomberg, we listed the price of these  
13 cryptocurrencies, and look, lo and behold, number two  
14 right there, just because we picked it to be number two,  
15 is Ripple, and when I look at what that has done over  
16 the last year, holy cow, look at that gain, that's a --  
17 that's a stunning gain for anything, particularly in the  
18 last few weeks, as we pointed out earlier, but that  
19 price right now of a buck 23, we'll call it, how many  
20 coins, or how many XRP's do -- does Ripple own right  
21 now?

22 MR. GARLINGHOUSE: Ripple owns 61 percent of  
23 it. There's a hundred billion units of XRP that are  
24 created. We own about 61 percent of them. I think there  
25 -- you know, there's no doubt that 2017 has been, you

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1 know, amongst other things, the year of crypto, and  
2 within the year of crypto, XRP has outperformed every  
3 other digital asset out there. So, year to date as  
4 you're -- as that chart showed roughly about 20,000  
5 percent. But you're asking why is that?

6 MR. JOHNSON: But that also -- that gives you,  
7 what, about 75 billion dollars worth of coin right now?

8

9 MR. GARLINGHOUSE: That gives us a huge  
10 strategic asset to invest in and accelerate the vision  
11 we see for an internet of value that I was describing  
12 earlier. For me, this is all about, you know, an  
13 opportunity to participate and accelerate a vision we've  
14 had for some time. I think the reason why there's been  
15 excitement around -- well, there's been excitement  
16 around digital assets broadly. XRP specifically because  
17 people have increasingly realized that we have real  
18 customers, we have the best performing technology.

19 MR. JOHNSON: Right.

20 MR. GARLINGHOUSE: I think -- I know you have  
21 actually talked about this, but to complete a Bitcoin  
22 transaction takes about \$40, and the transaction costs.

23 MR. JOHNSON: And it's slow.

24 MR. GARLINGHOUSE: And it takes several hours  
25 on average. In contrast, XRP is very efficient. It

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1 settles in about three to four seconds and costs  
2 fractions of a penny. So, while I think there are lots  
3 of use cases and utility you can have from Bitcoin --

4 MR. JOHNSON: Right.

5 MR. GARLINGHOUSE: -- it's not going to be a  
6 payment solution in its current form. I think it's a  
7 store of value. I'm long Bitcoin. I think there's  
8 value there, but I think when you talk about lots of  
9 other use cases and all these digital assets --

10 MR. JOHNSON: Yeah.

11 MR. GARLINGHOUSE: -- I think it comes back to  
12 what's the utility, what's the problems that are being  
13 solved, and are there real customers that can take  
14 advantage of that?

15 MR. JOHNSON: But if you're sitting on \$75  
16 billion worth of an asset, are you -- is -- do you  
17 envision a scenario over the next year where you'll sell  
18 any of that?

19 MR. GARLINGHOUSE: Well, certainly we use some  
20 of it day by day and week by week to invest in the  
21 ecosystem. So, we use -- in December, we actually  
22 publicly produce a quarterly market report talking about  
23 what's going on in the XRP markets, and we sell a little  
24 bit every -- with market makers to incentivize market  
25 makers. We want to make sure we have very tight

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1 liquidity between XRP and other -- excuse me, not other  
2 digital currencies, but fiat. So, if we want to go into  
3 -- as I was describing earlier --

4 MR. JOHNSON: Right.

5 MR. GARLINGHOUSE: -- into the Mexican Peso,  
6 we want tight spreads between the Mexican Peso and XRP  
7 and other currencies. So, we work with market makers  
8 globally. We work with exchanges globally to make sure  
9 that there is very good liquidity to deliver on that.

10 MR. JOHNSON: Brad Garlinghouse, CEO of  
11 Ripple. Always enjoy our conversations. This is a  
12 really fascinating one, so thanks for your time.

13 MR. GARLINGHOUSE: Thanks, Cory.

14 MR. JOHNSON: Well -- and again, you can  
15 deposit in my account any time, really, just, you know,  
16 as a friend. Facebook's COO Sheryl Sandberg is going to  
17 talk to us about employee perks and a need for more

18 corporate openness. This is Bloomberg.

19 Well, now back to the interviews of 2017.

20 Emily Chang sat down with Facebook COO Sheryl Sandberg  
21 and asked about the famed employee perks at Facebook,  
22 and why there's no such thing as a free lunch.

23 MS. SANDBERG: Well, we try to offer things,  
24 but we don't require it. We offer dinner, but no one is  
25 required to come to dinner, and there are people who

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1 take their dinner in a box for their commute home or for  
2 when they get home. I think companies have an  
3 obligation to do what they can for employees, and that  
4 also means contractors.

5 So, we did something two years ago which was I  
6 think a pretty unprecedented step which is, we announced  
7 that we were going to pay all -- make sure all of our  
8 contractors who worked at companies of a certain size  
9 that we could have these deals with them get paid a  
10 minimum wage of \$15 per hour in the United States, and  
11 get paid leave, and that's something more companies can  
12 do.

13 I recognize the margins we have, and that we  
14 are able to do more, but I think almost all companies  
15 could stretch to do more for their employees, and offer  
16 as much as they can. Again, I think this is the 21st  
17 century commitment we need to the people who work for  
18 us, and that includes contractors.

19 MS. CHANG: The gig economy is changing the  
20 way we work. Uber drivers and all different kinds of  
21 more flexible work. How do we take care of those  
22 workers on a policy level?

23 MS. SANDBERG: I think corporate leaders need  
24 to think about leave policies and pay policies, not just  
25 for their employees but for their contractors, and we

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1 did that a few years ago, and I encourage other people  
2 to do it.

3 Let's talk about public policy, right? Only  
4 country in the world -- developed country that doesn't  
5 offer paid maternity leave. Let's talk about family  
6 medical leave. There's a really good bill out there.  
7 It's the Family Act. Senator Jill LeBrandt and  
8 Congresswoman Deloro, it's a good bill. It offers 12  
9 weeks. It covers men and women. It offers substantial  
10 wage reimbursement and replacement, and it covers all  
11 forms of needing leave. That's the kind of public  
12 policy we need.

13 There's some progress at the state level.  
14 Washington State last month became the fifth state to  
15 offer a really good paid leave policy, but I don't think



16 we can fully rely on companies, even though mostly  
17 companies are watching this, and I hope all of them do  
18 as much as they can.

19 MS. CHANG: Right.

20 MS. SANDBERG: We need strong national policy.

21 MS. CHANG: Apple builds a brand spanking new  
22 campus with 100,000 square foot gym, no childcare. Much  
23 of that was made in the press. Tech companies have  
24 never shied away from radical solutions to hard  
25 problems. Should companies with the resources of Apple

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1 and Facebook offer things like childcare?

2 MS. SANDBERG: Childcare is often complicated  
3 in the sense that a lot of companies that offer it  
4 directly have long waitlists, and a lot of places aren't  
5 zoned for it --

6 MS. CHANG: Mm-hmm.

7 MS. SANDBERG: -- so you don't have the option  
8 to do onsite childcare. So, I've talked to a lot of  
9 companies who have different ways of dealing with it,  
10 but here is what every company should make sure, is that  
11 employees are paid enough that they can afford good  
12 childcare, whether that childcare is offered on campus  
13 which is obviously great if you can do it, or that  
14 childcare is offered elsewhere.

15 Employees have the flexibility that when a  
16 child is sick, they're not worried about losing their  
17 jobs, and we know that people who are employees of  
18 companies like Apple and Facebook, those companies are  
19 more likely to be able to provide those things than  
20 other companies, and that's why we need to think about  
21 all of the workers.

22 MS. CHANG: I'm curious how the message of  
23 option B and corporate openness aligns with the message  
24 of lean in. Sharing is great, but can sharing hurt  
25 women more?

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1 MS. SANDBERG: Let's be clear: there are  
2 double standards, I'm sure, on -- I mean, men don't  
3 really cry in the office, but if they did, I would  
4 applaud them.

5 But if you ever -- people who have ever had a  
6 son or a daughter, I did. It turns out those babies cry  
7 the same amount. As adults, women cry more than men.  
8 We socialized that, and I think our culture needs to  
9 change because we're holding both men and women back. I  
10 really believe that the best leaders and managers do not  
11 shy away from emotion but embrace it.

12 Now, that doesn't mean we spend all day  
13 kumbayaging in a circle with tears. No one is saying



14 that. But it does mean that when someone has lost a  
15 child, how are you today? I'm thinking of you. What  
16 can I do to help you?

17 And on the way out of a meeting, are you sure  
18 you want to be here? But you know what? You made a  
19 great point. That is how you use EQ combined with IQ to  
20 be a great manager. I think the best managers are doing  
21 it, and more can.

22 MS. CHANG: There's been an explosion of  
23 stories about sexual harassment in Silicon Valley. VCs  
24 have lost their jobs. The CEO of Uber has resigned.  
25 Are you surprised by this?

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1 MS. SANDBERG: I mean, I'm hugely  
2 disappointed. Look, sexual harassment has been around  
3 for a long time in every industry. It's abominable that  
4 it still exists in this day and age. People know  
5 better. I think it's great when people lose their jobs  
6 when it happens, because I think that is what will get  
7 people to not do it in the future, and I think this is a  
8 leadership challenge.

9 MS. CHANG: Mm-hmm.

10 MS. SANDBERG: As a leader of a company, there  
11 needs to be no tolerance for it. Full stop, no  
12 tolerance. No one should go to work and face this.

13 MS. CHANG: Part of the problem in tech is  
14 that it is still male dominated.

15 Despite your leadership on this topic, has it  
16 been harder to change the ratio than you thought?

17 MS. SANDBERG: Our numbers are still low.  
18 They're low for women, they're low for underrepresented  
19 minorities, and that's something that's a problem,  
20 because it's hurting us. Diverse teams make better  
21 decisions.

22 We are having some success on the business  
23 side of the company. Our company is more than half  
24 women on the business side, and I'm proud of that. On  
25 the tech side, it remains a struggle, and there are 16

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1 percent of computer science graduates today that are  
2 women compared to 35 percent in the 1980s when the field  
3 was smaller.

4 Blacks and Hispanics are not represented in  
5 computer science. In order to hire computer scientists  
6 we have to persuade more women and underrepresented  
7 minorities to go into computer science. We take that  
8 really seriously at Facebook.

9 We have a larger Facebook internship program,  
10 and we hire people who are computer scientists of all  
11 backgrounds. We started going earlier in the program.

12 We created Facebook University. Tried to find women and  
13 underrepresented minorities who we thought could be  
14 great in computer science, but weren't yet in the field,  
15 or were just starting in the field so we could get them  
16 earlier and invest in them and try to keep them in.

17 We have a very large computer science and  
18 engineering lean in circle program. We do it with  
19 LinkedIn and My Foundation and Facebook trying to get  
20 women to feel that they have peers right from the  
21 beginning.

22 If you go to computer science class, but you  
23 don't have enough women in there, well, if you can be in  
24 a lean in circle of computer scientists where you're  
25 seeing more women, and we need to do more, because we're

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1 still not moving the numbers enough.

2 MR. JOHNSON: Facebook's chief operating  
3 officer Sheryl Sandberg with Emily Chang. Well, coming  
4 up, SoftBank founder Masayoshi Son has a plan to invest  
5 \$93 billion into tech companies, putting him on the map  
6 as one of the most important tech investors on the  
7 planet, but it hasn't always been a smooth road for Son.  
8 We'll hear from him next. This is Bloomberg.

9 Well, the US Library of Congress announced  
10 today they will no longer add every public Tweet to its  
11 archives, an ambitious project launched seven years ago.  
12 Instead, the much larger volume of tweets generated now,  
13 as well as Twitter's decision to double the character  
14 limit from 140 to 280 characters.

15 Well, just days to go before year end and one  
16 huge tech deal still looming, the deadline for  
17 SoftBank's offer for Uber shares is this Thursday, but  
18 did SoftBank offer enough to convince Uber insiders to  
19 sell at a \$48 billion valuation?

20 That's one of the tough choices facing founder  
21 Masayoshi Son. In October, he joined David Rubenstein  
22 (inaudible) group with the host of the eponymous show to  
23 talk about a lifetime of deals that informs Son about  
24 his current business challenges.

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MR. RUBENSTEIN: One of the investments you

1 made is considered by many people to be the most  
2 successful investment in the history of mankind. You  
3 invested roughly \$20 million in Alibaba, and at the time  
4 it went public it was worth roughly \$90 billion.

5 So, 20 million to 90 billion as a return of  
6 about 4,500 percent. Now, Jack Ma is a very  
7 distinguished individual now, now one of the most  
8 successful entrepreneurs in the world.

9 What is it that made you feel this was worth

10 putting in \$20 million?

11 MR. SON: Well, he had no business plan and  
12 zero revenue. Employees, maybe 35-40 employees, but his  
13 eyes was very strong. Strong eyes, strong, shining  
14 eyes.

15 I could tell from the way he talk, the way he  
16 look at, he has charisma, he has leadership. So, his  
17 business model was wrong. It was the way he talked, the  
18 way, you know, he can bring, you know, young Chinese  
19 people following him.

20 MR. RUBENSTEIN: Before Yahoo was so famous,  
21 you made an early investment in it which was  
22 spectacularly successful. How did you hear of Yahoo?

23 MR. SON: Yeah, Yahoo, US was still probably  
24 about 15 employees, and I convinced them to take a \$100  
25 million of our investment.

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1 So, at the time we negotiated, we grew -- they  
2 grew from 15 to 35 people -- to 35 people, and we invest  
3 \$100 million to own 35 percent, and actually went IPO  
4 and made a great return.

5 And at the same time I convinced him to start  
6 joint venture with Yahoo! Japan, where we put \$1.2  
7 million dollars, they put \$0.8 million. \$2 million  
8 start up capital. We own 60 percent.

9 MR. RUBENSTEIN: Now, let's talk about one big  
10 mistake you made overall, and obviously you're very  
11 successful in almost everything you've touched, but you  
12 were making a lot of internet investments around the  
13 turn of the century, around the year 2000, 1999, 2001.  
14 The market went down in the -- in the -- in the tech  
15 crash, and it is said that you personally lost \$70  
16 billion of net worth, the greatest loss that any human  
17 being has ever suffered financially. So, how did you  
18 feel losing \$70 billion of net worth?

19 MR. SON: One year before that, actually, my  
20 net worth -- my personal net worth was increasing \$10  
21 billion per week. For three days, I became richer than  
22 Bill Gates.

23 MR. RUBENSTEIN: Well, did that upset him, or  
24 --

25 MR. SON: No, before I talked to anybody else,

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1 you know, our stock started crashing.

2 MR. RUBENSTEIN: Okay.

3 MR. SON: So, in six months after that, our  
4 share price went down 99 percent. So, we almost went  
5 bankrupt, and somehow I survived.

6 MR. JOHNSON: That's Masayoshi Son of SoftBank  
7 on the David Rubenstein Show.

8 All right, that does it for this addition of  
9 Bloomberg Technology. A reminder that we are  
10 livestreaming on Twitter right now.

11 A lot of you are watching this right now on  
12 @technology weekdays, 5:00 back east, 2:00 out west.  
13 That's it for now. This is Bloomberg.

14 (End of audio.)

15 \* \* \* \* \*

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2  
3 I, Eric Axt, hereby certify that the foregoing  
4 transcript is a complete, true and accurate  
5 transcription of all matters contained on  
6 the recorded proceedings in the Matter of RIPPLE LABS,  
7 INC. 405886-NY, Bloomberg Technology Full Show 12\_27\_2017  
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Interview with Brad Garlinghouse, 2/11/2018, via Yahoo Finance

<https://www.youtube.com/watch?v=pzbJ6e8sdpg>



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1 P R O C E E D I N G S  
2 BRAD GARLINGHOUSE RIPPLE CEO YAHOO FINANCE INTERVIEW 30  
3 MINUTES - YouTube  
4 FEMALE SPEAKER: -- to the stage, Yahoo  
5 Finance's Editor-in-Chief Andy Serwer and Dan Roberts  
6 for a conversation with Brad Garlinghouse, CEO of  
7 Ripple.  
8 (Applause)  
9 MR. SERWER: You guys are losing energy in the  
10 afternoon. I don't like that. I want to hear, come on,  
11 some ups here, okay? Especially Sam Rowe (phonetic).  
12 He's got all the energy in the world over there with the  
13 rest of the Yahoo Finance Team. Let's have a hand to  
14 the Yahoo Finance Team, who's working really hard to put  
15 this all together. Thank you guys. (Applause) Thank  
16 you very much. Take it away, Dan.  
17 MR. ROBERTS: All right. Well, we're  
18 delighted to have Brad here today, who's the CEO of  
19 Ripple. This is a company that has surely been a lot in  
20 the news recently, and I have to say just anecdotally as  
21 we've gone through this day, seen a lot of great  
22 speakers, a lot of terrific panels, everyone keeps  
23 stopping me and asking okay, when's Garlinghouse, when's

24 Garlinghouse, when's Garlinghouse, so here he is.

25 MR. GARLINGHOUSE: I hope I don't disappoint.

0003

1 MR. SERWER: You are not going to disappoint.

2 So a few things about Brad; first of all, some  
3 background. First of all, he's from Kansas, which I  
4 just love that, Topeka, Kansas (applause).

5 MR. GARLINGHOUSE: Rock Chalk.

6 MR. SERWER: That's it. Kansas strong right  
7 here, and the other thing is, another place he's from is  
8 he's from Yahoo. Now, I don't know if you all remember  
9 that, but I do. In fact, you've been in this building  
10 before, right?

11 MR. GARLINGHOUSE: I have, indeed, many years  
12 ago, but yeah.

13 MR. SERWER: In previous incarnations. And  
14 one thing, I just want to get this out of the way before  
15 we get into Ripple because it's famous at Yahoo, maybe  
16 not famous for you all, but like there was a manifesto  
17 at Yahoo. We were talking about how we were doing  
18 business and this and that. People were doing business  
19 the right way and the wrong way and Brad came out with  
20 what became known as the Peanut Butter Manifesto, and  
21 it's famous actually not only at Yahoo, but in all of  
22 Silicon Valley. Do you want to say what the Peanut  
23 Butter Manifesto is?

24 MR. GARLINGHOUSE: Well, it's famous in the  
25 echo chamber of Silicon Valley, I think.

0004

1 MR. SERWER: Yes (laughter), on the show.

2 MR. GARLINGHOUSE: But the premise was  
3 effectively that like maybe many companies, Yahoo had  
4 increasingly spread itself quite thin. And the metaphor  
5 that had been used internally was we spread around our  
6 investment capital like peanut butter. And I thought  
7 that was a terrible idea, and we should really decide --  
8 we needed to understand our true north of what we wanted  
9 to be the best in the world at, and it was really an  
10 argument that the idea of spreading around resources  
11 like peanut butter is a bad strategy.

12 MR. SERWER: Right, you need to focus.

13 MR. GARLINGHOUSE: I could go on like that for  
14 another 10 minutes, so I'll just stop there.

15 MR. SERWER: Right, no, let's stop there  
16 because we do want to ask about Ripple, and there's a  
17 lot of questions people have. So why don't you start  
18 off, Dan?

19 MR. ROBERTS: Yeah, let's get right into that.  
20 I think in the simplest sense for anyone in the room who  
21 doesn't know, Ripple handles international payments for



22 banks and financial clients. Is that a fair way to  
23 distill it?

24 MR. GARLINGHOUSE: Yeah. I would say we sell  
25 technology and solutions to banks and financial

0005

1 institutions to solve a payment problem around  
2 cross-border payments, a liquidity problem around  
3 cross-border payments. We've signed up over 100 banks,  
4 100 financial institutions around the world, including  
5 among Chinese customers today.

6 MR. ROBERTS: Yeah, just today actually Ripple  
7 announced the news that, might as well mention it here  
8 on stage, the fourth largest payment network in China,  
9 Lian-Lian, if I'm saying that close to correctly, has  
10 joined Ripple and is going to use it. So when we read  
11 this in the news, and we were talking about this earlier  
12 with Chain, we had the CEO of Chain up here, when we  
13 read headlines that another bank or another big client  
14 has signed on with Ripple, what does that really mean in  
15 practice?

16 MR. GARLINGHOUSE: What it means is that  
17 someone has signed up to use our technology to enable  
18 cross-border payment flows. I think what the confusion  
19 that happens in the marketplace is that our core  
20 product, kind of our flagship product, is called X  
21 Current, and X Current is solving the -- really the  
22 messaging and settlement problem that exists in the  
23 financial system today. Humorously, frankly, I point  
24 out to people that if the three of us decided we needed  
25 to get \$10,000 or 10,000 pounds to London today, the

0006

1 fastest way for us to do that is to go buy a ticket, EWR  
2 or JFK, and fly it there (laughter). And that's just a  
3 fact. Obviously, that seems crazy in the world of the  
4 internet. I can stream video from the space station.  
5 So what Ripple's -- the X Current is enabling is  
6 real-time messaging, real-time settlement between banks.

7 The confusion that I think people are like  
8 well, wait a minute, how does XRP fit, XRP is used in  
9 our second product called X Rapid. X Rapid is solving a  
10 liquidity problem. So it's the messaging is I have an  
11 existing pool of capital between the Bank of Andy, the  
12 Bank of Dan. You're using a big bank, a very successful  
13 bank.

14 MR. ROBERTS: Bank of Dan is a good one, yeah.

15 MR. GARLINGHOUSE: Bank of Dan.

16 MR. ROBERTS: Uh-huh.

17 MR. GARLINGHOUSE: Andy's Bank, a lot of  
18 compliance issues.

19 MR. SERWER: Oh, (laughter).

20 MR. GARLINGHOUSE: These two banks are using X  
21 Current to settle fiat, a key point here. What happens,  
22 though is you decide you want to settle with the Bank of  
23 Brad. The Bank of Brad is in Argentina, and we're using  
24 pesos. You don't want to prefund pesos in my bank.  
25 Now, part of that is because that requires an outlay of

0007

1 capital and that's dormant capital. Part of that is  
2 because you now have a compliance check that you're  
3 doing annually and quarterly. There's costs associated  
4 with that. And if it's the Argentinian peso, you have  
5 an inflation problem.

6 So you put 100,000 US dollars' worth of or  
7 probably 100 million dollars' worth of US dollars there  
8 that is now going to be worth less over time. What X  
9 Rapid allows you to do is to have real-time liquidity.  
10 The Bank of Andy can sell a dollar, buy XRP; that XRP  
11 can then be moved to an Argentinian digital asset  
12 exchange. You can sell the XRP and buy an Argentinian  
13 peso. And now you have good liquid funds in less than  
14 10 seconds in another market.

15 MR. SERWER: Now I want to make sure that we  
16 define our terms, in terms of XRP, the token of X Rapid,  
17 Ripple, the company, I think there's some confusion  
18 there. You know, very often, we hear financial  
19 institutions talk about Blockchain. They talk about  
20 using Blockchain, but without any cryptocurrency.  
21 Cryptocurrency they sort of eh, I don't want to have to  
22 deal with that, but I like blockchain. And so in this  
23 example you've just brought up, in fact, let's say the  
24 Bank of Andy says okay, I like the idea of the  
25 international payment going faster, less friction, but I

0008

1 don't really know about XPR; I don't want to use that.  
2 Can that be -- I mean that's a back-end settlement  
3 token, really.

4 MR. GARLINGHOUSE: That is how we engage  
5 customers. Clearly, there's a lot of misunderstanding  
6 about digital assets, and I think some of it's been  
7 clarified in the panels today. What is interesting, and  
8 a quick anecdote, even before Andy and I had met, I was  
9 the CEO of a voiceover IP company. I was a Telco guy,  
10 way, way back when, pre-Yahoo, and actually, I came into  
11 Yahoo. Yahoo bought a company called Dial Pad. I sat  
12 down with the CEO or sorry, at the time, he was a very  
13 senior guy at SBC Communications. His name is Randall  
14 Stephenson.

15 MR. SERWER: I've heard of him.

16 MR. GARLINGHOUSE: He's now the CEO of AT&T.

17 MR. SERWER: Uh-huh.

18 MR. GARLINGHOUSE: Randall Stephenson said to  
19 me in 2000, AT&T -- well, at the time, SBC, will never  
20 use IP for voice traffic. Now, his point was, look, you  
21 know, we have a robust analog switch network that works  
22 for voice brilliantly. We'll invest in data. We'll  
23 invest in the IP data and we'll have a separate network  
24 for that, and that's how it evolved. Well, today, there  
25 is no voice network at AT&T; it's all IP. I think the  
0009

1 exact same thing is going to happen in the banking  
2 world. I talked to senior banks, people who are close  
3 to the company, Ripple, they're invested in us and  
4 they're like hey, look, we love what you're doing around  
5 X Current, not sure yet about X Rapid. That's fine.  
6 It's Randall Stephenson, like I'm having an echo  
7 chamber.

8 The X Rapid product gives you a faster product  
9 at a lower price. Do we really not think that people  
10 are going to say, huh, that's kind of interesting? So  
11 over time, I view this absolutely as a crawl, walk, run.  
12 We're now working with over 100 banks around X Current.  
13 We've announced four customers using X Rapid. Those are  
14 Money Gram, Mercury FX, IDT and QualX, all payment  
15 providers, and they're using our first testing  
16 transactions with live transactions, moving many  
17 transactions going into Mexico, and I think it's just  
18 the beginning.

19 MR. SERWER: So I don't know what it is about  
20 Ripple, but there's something about it that makes people  
21 excited or freaked out or both or a little of  
22 everything. I mean -- and you know, in 2017, the price  
23 of XRP was up, what, 32,000 percent. And there are  
24 reports that said that that made you and other  
25 executives there billionaires, Brad. And is that right?  
0010

1 Is that normal? Did that blow your mind? I mean is it  
2 true? What's the bottom line there? Maybe we have --  
3 do we have a chart of that?

4 MR. ROBERTS: Oh, yeah, we have a price chart  
5 of XRP that we can pull up.

6 MR. SERWER: Right. We can pull it up.

7 MR. GARLINGHOUSE: I'll tell you the exact  
8 same thing I tell people --

9 MR. SERWER: There you go.

10 MR. GARLINGHOUSE: -- inside the company --

11 MR. SERWER: Look at that. (Laughter)

12 MR. GARLINGHOUSE: What I say inside the  
13 company is the exact same thing I would say outside the  
14 company. The price of XPR over three hours, over three  
15 days, over three weeks or even three months, that is not

16 success. That's not how I measure success. I think  
17 about success over the next three to five years. The  
18 problem we talk about these prefunded accounts, the  
19 liquidity that the Bank of Andy wants to park at other  
20 banks, there's over \$20 trillion parked in prefunded  
21 accounts around the world. This is dormant capital.  
22 We're solving a problem measured in the trillions of  
23 dollars, and if we can activate that asset, if we can  
24 make global commerce more efficient, there's an  
25 opportunity to drive a lot of velocity, a lot of demand

0011

1 and a lot of volume across XRP.

2 We are just at the starting line. I also said  
3 look, I think we've taken the first few steps of a  
4 marathon, but what I can also say is we've crossed the  
5 starting line of that marathon, and really, no other  
6 companies in this space have. I think a lot of what you  
7 see happening in the space, there's science experiments;  
8 there's tests. We have production customers moving real  
9 money, both with X Rapid, with XRP, as well as with our  
10 kind of fiat-to-fiat.

11 MR. ROBERTS: There was an interesting graphic  
12 that I saw on Twitter recently. I think Ripple tweeted  
13 it out, and it basically showed the Bitcoin blockchain,  
14 which, at times, due to transaction volume, has sort of  
15 slowed or become weighed down. It showed Lite Coin,  
16 which forked from the Bitcoin blockchain and is supposed  
17 to be a little faster, and then it showed one of  
18 Ripple's products.

19 It must've been X Rapid, and it was a moving  
20 GIF, a pretty convincing GIF. And it was woo, it was  
21 just flying. Is there a way in which there's sort of a  
22 level of education required where you have to first  
23 explain here's blockchain, and here's traditional,  
24 here's cryptocurrency; here's Bitcoin; here's how that  
25 works as a payment network, as a payment platform? Now

0012

1 come along these other innovations and now here is why X  
2 Rapid is faster, and do you often get told well, I mean  
3 how can we prove that?

4 MR. GARLINGHOUSE: Yeah, look, there is a lot  
5 of misinformation. There's a lot of fud and there's a  
6 lot of passion around all digital assets. That's true  
7 of XRP. That's true of Bitcoin, for sure. I actually  
8 am long (phonetic) Bitcoin, personally, so I am not a  
9 believer that Bitcoin dies some terrible death. I don't  
10 think it's going to solve the payments problem. XRP is  
11 1,00 times faster and 1,000 times cheaper than a Bitcoin  
12 transaction.

13 MR. SERWER: Now how do you know that? I mean

14 how can you --

15 MR. GARLINGHOUSE: I mean those are charts --  
16 I mean he's referencing some of this data. Earlier  
17 today -- well, actually, I don't know what was presented  
18 earlier today, but the Coin Desk published report of  
19 transaction times --

20 MR. ROBERTS: State of the Blockchain Report,  
21 yeah. Uh-huh.

22 MR. GARLINGHOUSE: Yeah, State of the  
23 Blockchain Report. Thank you. You know, that shows you  
24 here is the average Bitcoin blockchain transaction time  
25 in Q4, average cost.

0013

1 MR. ROBERTS: Yeah, the fee is very high.

2 MR. GARLINGHOUSE: The fee -- I mean, you  
3 know, I make the joke that are you going to use a  
4 Bitcoin or a fraction of a Bitcoin to buy a cup of  
5 coffee? Well, it's going to take hours to complete the  
6 transaction. Your coffee is going to get cold.

7 MR. ROBERTS: Let's keep it on XRP for a  
8 second (laughter). Let's keep it on XRP. We've been  
9 pushing a lot of people today on this topic. This  
10 certainly didn't only happen with XRP, but the idea that  
11 at the end of 2017, especially in December, we saw a  
12 frenzy of investment in cryptocurrencies, often from  
13 people who didn't necessarily do any real homework on  
14 these cryptocurrencies. You know, off-and-on on our  
15 live shows, I spend time talking about the different  
16 tech behind each coin, and my colleague, Myles Udland, I  
17 think very correctly, often says, "Well, these people  
18 don't care. They don't care about the tech that's  
19 behind them. They just want to buy the coins and watch  
20 them go up."

21 And especially with XRP, Ripple, as we showed  
22 that chart, it just spiked so high, is it concerning to  
23 you, alarming or unsurprising to know that obviously at  
24 the end of the year, so many people were going to  
25 websites where they could buy up Ripple; they don't know

0014

1 anything about Ripple.

2 MR. GARLINGHOUSE: Well, buy up XRP --

3 MR. ROBERTS: Uh-huh.

4 MR. GARLINGHOUSE: -- I mean an important  
5 distinction that we try to make repeatedly is you can't  
6 really -- well, you can buy shares of Ripple the company  
7 on the secondary market, but what people are buying is  
8 XRP.

9 MR. ROBERTS: Right.

10 MR. SERWER: Look, the way I think about this,  
11 we are in the earliest innings. The markets are in an

12 adolescent stage. There is a tremendous amount of  
13 volatility. I think it's going to continue. I don't  
14 think it's going to stop any time soon. But I also  
15 think even events like this, the events in Washington  
16 D.C. yesterday, the industry needs to go through a  
17 maturation process. Part of that maturation process is  
18 not pretending that we're going to live outside of the  
19 regulated financial markets. One of the things that has  
20 made -- to Andy's point earlier, that has made Ripple a  
21 little contrarian and controversial is early on we were  
22 contrarian in that we said, look, we don't think  
23 governments are going away.

24 The Bitcoin community -- you know, some in the  
25 Bitcoin community are coming from a very anarchistic

0015

1 liberation view of like down with government, down with  
2 banks and even down with fiat currency. Look, the US  
3 dollar, I mean we could talk about other currencies  
4 around the world, but the US dollar works pretty well.  
5 I don't think the US dollar is going away in my  
6 lifetime. I don't think the US government is going away  
7 in my lifetime. The revolution that is enabled by  
8 blockchain technologies is not going to happen from  
9 outside the system; it's going to happen from within the  
10 system.

11 And the thing that I think actually is a  
12 disservice to the revolution is to pretend that we can  
13 live outside of a regulatory framework. You know,  
14 Ripple has from the earliest days invested in engaging  
15 regulators. And when we go to Washington D.C., and we  
16 go to other regulatory bodies around the world and  
17 explain we aren't circumventing a KYC check, a know your  
18 customer check. We aren't circumventing an AML, an  
19 anti-money laundering check. We aren't circumventing  
20 BSA. There's lots of three-letter acronyms. I'll stop  
21 there. But look, the Bank of England is a paid customer  
22 of Ripple's.

23 There's another central bank we haven't  
24 announced that we're working with very actively, like we  
25 will continue to work with central banks. We'll

0016

1 continue to work with regulators and educating them  
2 about how we can accelerate the financial ecosystem,  
3 which is good on many, many, many levels and not, in  
4 some ways, circumvent and enable anonymous transactions  
5 that obviously the government has concerns about.

6 MR. SERWER: But can you reach a point with  
7 fiat currency where you're in a stable relationship and  
8 not actually eroding and undermining it?

9 MR. GARLINGHOUSE: Well, I don't think XRP is

10 eroding and undermining. I mean --

11 MR. SERWER: I mean how is it complimentary in  
12 a sort of -- in a stable way?

13 MR. ROBERTS: And not a threat?

14 MR. SERWER: Right.

15 MR. GARLINGHOUSE: Well, I mean the solution I  
16 described earlier as XRP, the US dollar domestically is  
17 a great solution.

18 MR. SERWER: Yeah.

19 MR. GARLINGHOUSE: You're selling that US  
20 dollar; you're buying XRP. You're moving your XRP over  
21 to another digital asset exchange. You're selling the  
22 XRP; you're buying an Argentinian peso, just to use that  
23 example. I mean I'm even careful, and I would even  
24 encourage journalists of the world to be careful that I  
25 don't call this cryptocurrency. It's not currency. I

0017

1 can't go to Starbucks or Amazon and use -- and somebody  
2 inevitably like well, I have one example where I bought  
3 something with a Bitcoin, and then I usually say well,  
4 did you do a second transaction? (Laughter)

5 Like it's not actually a currency. These are  
6 digital assets. If the asset solves a real problem for  
7 a real customer, then there will be value in the asset.  
8 If the asset is -- as frankly I think many of the  
9 explosion of tokens don't have a real purpose, I was --  
10 early last summer, I was very active in saying look, I  
11 think these ICOs are a very bad thing for the industry.  
12 There are exceptions.

13 MR. ROBERTS: Right.

14 MR. GARLINGHOUSE: I would say, okay, that  
15 ICO, there's a real utility to that token; there's a  
16 real purpose. But look, a lot of these things I look at  
17 and I'm like this is not going to end well. And then I  
18 think the comparisons people make to the dot com bubble,  
19 I moved to Silicon Valley in 1997, I lived through that,  
20 there are some fair comparisons, but you also have to  
21 remember that Amazon was born in that era. You also  
22 have to remember that Google was born in that era.

23 There are companies that are going to grow out  
24 of this crazy evolution, this crazy revolution that are  
25 going to be very valuable, but there's also going to be

0018

1 some carnage along the way.

2 MR. ROBERTS: Right, absolutely. When we talk  
3 about banks' interest in blockchain, and we hit this a  
4 little bit with the guys from Chain and blockchain, for  
5 a while, and maybe it's finally changing as people  
6 become more educated and they do more research, but for  
7 a while, there was a very popular narrative of we want



8 blockchain without Bitcoin, without crypto. You guys,  
9 in a way, sit in the middle because you are a form of  
10 blockchain tech, working with banks, but you do have a  
11 token.

12 MR. GARLINGHOUSE: Sure.

13 MR. ROBERTS: And by the way, on a side note,  
14 I agree about cryptocurrency. I say no one's using it  
15 to buy things, call it digital assets; call it digital  
16 tokens, but in a way, you are sort of squarely in the  
17 middle of this where it is blockchain with an asset, but  
18 it's not an asset that the people using our technology  
19 really need to know about. I mean it can sort of --  
20 it's the argument that it works behind the scenes.

21 MR. GARLINGHOUSE: Yeah. Well, it works  
22 behind the scenes, or you can use Ripple's technology to  
23 better coordinate your existing pools of liquidity.  
24 Eventually, I'm working with the Bank of Andy, and he's  
25 like, hey, this is great, this is working great and I

0019

1 love what I'm doing, but I want to be able to settle  
2 into the Philippines peso. And I say well, do you have  
3 a correspondent banking relationship in the Philippines?  
4 And you say well, no, I don't, and so your option is to  
5 spend months negotiating.

6 Literally, six to nine months is the average  
7 time to establish a new bilateral relationship. There's  
8 something called a Nostro-Vostro relationship. Andy  
9 parks dollars there or parks pesos there and the bank  
10 parks dollars in your account, your dollars. You know,  
11 there's a better way to do this, and I think as banks  
12 increasingly understand that we're not changing the  
13 regulatory dynamics, we're not changing this, and they  
14 see it's faster and it's cheaper, I'm optimistic.

15 MR. SERWER: You talked about Argentina and  
16 the Philippines sort of metaphorically. One place my  
17 understanding is where you are active, though, is Japan.

18 MR. GARLINGHOUSE: Yes.

19 MR. SERWER: And why is that? And what does  
20 the Japanese market hold that's distinctive that gives  
21 you an advantage there?

22 MR. ROBERTS: Yeah. Ripple is big in Japan  
23 (laughter).

24 MR. SERWER: Yeah. And Kansas.

25 MR. GARLINGHOUSE: I don't know about Kansas

0020

1 yet, but so Japan is a unique market. So we entered  
2 into a joint venture with a large financial services  
3 player over there called SBI, and there's an entity  
4 called SBI Ripple Asia, and they serve the Japanese  
5 market.



6 When we approach banks in Asia, we approach  
7 them to solve a cross-border problem that we've  
8 discussed here. What's super interesting is that the  
9 local rails in Japan are not very efficient. So the  
10 reason why we don't really talk about domestic  
11 settlement for using Ripple's technology is like, look,  
12 we can complain about ACH, and there's problems with  
13 ACH. It's pretty good. I mean Ripple could do it  
14 better, but let's leave that aside (laughter).

15 It'd be a hard sales pitch to walk into the  
16 Bank of Andy and say rip out your ACH rail and use  
17 Ripple. You'd kind of be like look, that's not a big  
18 problem. It's not a big friction point. But if I go in  
19 and say to him, hey, your cross-border transactions,  
20 you're like, oh, that's a high friction point. My  
21 customers are frustrated that there's no transparency in  
22 the transaction. There's a lot of reasons to adopt  
23 Ripple. What happened, which we didn't really expect in  
24 Japan, is because the Japanese local rail isn't  
25 particularly efficient, we had all of these banks

0021

1 talking to us about cross-border, they're like well,  
2 wait a minute, can't we use this domestically?

3 MR. ROBERTS: Right.

4 MR. GARLINGHOUSE: Yeah, you can use it  
5 domestically.

6 MR. ROBERTS: Payments within Japan?

7 MR. GARLINGHOUSE: Correct. And so we have, I  
8 think, now 63 banks that have signed up in Japan. It  
9 covers 40 percent of all accounts in Japan. They're in  
10 the process of going live within Japan.

11 MR. ROBERTS: What percentage of your business  
12 right now are these Japanese banks or at least the  
13 relationships in Japan?

14 MR. GARLINGHOUSE: Honestly -- well, in terms  
15 of the number of banks, it's over 50 percent of it. I  
16 mean we've publicly announced we work with over 100  
17 financial institutions around the world. I mean I just,  
18 I think, said that we're -- I think it's 63 in Japan, so  
19 it's a big percentage.

20 MR. ROBERTS: Wow.

21 MR. GARLINGHOUSE: You know, lots of ways to  
22 measure business, revenue, volume, all these kinds of  
23 things, so it depends how you -- like everything, it  
24 depends how you cut the data.

25 MR. SERWER: So why is it like that there?

0022

1 Are there other countries that have that sort of same  
2 problem/opportunity?

3 MR. GARLINGHOUSE: Yes, back to the Peanut

4 Butter Manifesto --

5 MR. SERWER: Yes (laughter).

6 MR. GARLINGHOUSE: -- life is about focus.

7 Ripple is focused on a cross-border settlement problem,  
8 cross-border liquidity. The reason why our first  
9 corridor is into the Mexican peso is because the local  
10 rails in Mexico are extremely efficient. There's a  
11 local rail --

12 MR. SERWER: Efficient?

13 MR. GARLINGHOUSE: Very efficient, more  
14 efficient than ACH.

15 MR. SERWER: Okay.

16 MR. GARLINGHOUSE: The local rail in Mexico is  
17 called Spay. You can get from one regulated financial  
18 institution to another regulated financial institution  
19 to another regulated financial institution inside Mexico  
20 in under an hour. So that means if I line up one  
21 regulated financial institution in Mexico, I can enable  
22 payments into any account in Mexico within an hour.  
23 That's pretty cool.

24 MR. SERWER: Okay. So within, it needs to be  
25 efficient, but it's -- the external part's got to be

0023

1 inefficient?

2 MR. GARLINGHOUSE: Correct. I mean  
3 cross-border --

4 MR. SERWER: Right.

5 MR. GARLINGHOUSE: -- the lowest common  
6 denominator for cross-border transactions is enabled  
7 through Swift. It's enabled through this correspondent  
8 banking network.

9 MR. SERWER: Right.

10 MR. GARLINGHOUSE: And there are a very small  
11 number of banks who dominate that. And they extract  
12 billions of dollars of profits from the rest of the  
13 banks. They sit on the top. You know, you ask why is  
14 Jamie Diamond saying things about -- Jamie Diamond --  
15 well, actually, Citi is kind of number one; HSBC is  
16 probably number two. But JPM is way up there at the  
17 top, and they're making a lot of money from other banks.  
18 When we go talk to banks, 99.9 percent of banks, they're  
19 like we want Ripple to be successful because I'm sick of  
20 paying these guys and they're taking a lot of money from  
21 me that I then have to take from my customer, and why do  
22 I want to feed Citi to be more competitive with me in  
23 this local market.

24 MR. ROBERTS: Or at the very least, they've  
25 heard that blockchain is hot and they need to be doing

0024

1 something in blockchain (laughter).

2 MR. GARLINGHOUSE: There's some truth to that,  
3 too, yes.

4 MR. ROBERTS: I want to make sure we hit this.  
5 You know, you were talking earlier about the fud and  
6 some misunderstandings about XRP and I appreciate that  
7 we're sort of addressing that. One question I want to  
8 raise and just see if there's an updated take on, you  
9 got into it on Twitter with a reporter. We were talking  
10 about whether the banks that have been announced as  
11 being partners of Ripple are really using Ripple. And  
12 there was just kind of an interesting exchange. You  
13 know, you kind of jumped on there on Twitter; that got a  
14 lot of attention. Any thinking there or --

15 MR. GARLINGHOUSE: Look, I'm going to choose  
16 my words really carefully. I think particularly in  
17 today's political climate, real facts are really  
18 important. And when I believe people are not -- are  
19 manipulating at the margin information, I think that  
20 is -- it's just bad for journalism.

21 MR. ROBERTS: Do you think that in general,  
22 the cryptocurrency space has had a lot of problems in  
23 the media? I mean I think I know the answer, but  
24 there's just so much misinformation out there and you  
25 have a --

0025

1 MR. GARLINGHOUSE: There's a lot.

2 MR. ROBERTS: -- website like Coin Desk, which  
3 we're partnering with today. They are a trade  
4 publication. They cover a lot of this stuff, sort of  
5 expertly. We cover a lot of crypto, but then I noticed  
6 in the explosion of December, you've now got a lot of  
7 websites that some editors are telling people hey, cover  
8 Bitcoin, and it's tough to get everything right.

9 MR. GARLINGHOUSE: Look, this is an adolescent  
10 stage of this industry. It's incredibly important to me  
11 for the success of Ripple, but for the whole ecosystem,  
12 for the whole industry to mature, and I think that  
13 applies to the media coverage, and it's really  
14 frustrating when you go out and you read people who  
15 haven't really scratched the surface to understand the  
16 facts and look, I think I don't view other blockchain  
17 companies as competitors because a lot of them are going  
18 after completely different use cases.

19 MR. ROBERTS: Uh-huh.

20 MR. GARLINGHOUSE: Like the early days of the  
21 internet, Yahoo was not competing with Amazon. They  
22 were totally different things. The internet needed to  
23 grow up.

24 MR. ROBERTS: Yeah, right.

25 MR. GARLINGHOUSE: Yeah (crosstalk).

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1 Fast-forward to 20 years later, but my point is I want  
2 all boats to rise. I think an important element of  
3 the maturation of this industry is also the maturation  
4 of the coverage of I mean all aspects.

5 MR. SERWER: Are you concerned, Brad, about I  
6 mean, sort of taking a step back, on government's  
7 cracking down on -- and regulating more crypto in all  
8 sorts of ways? I mean India, South Korea, even Japan,  
9 credit card companies, Facebook --

10 MR. GARLINGHOUSE: Yeah.

11 MR. SERWER: -- does all of that -- is that  
12 all going to -- I mean is that the sign of a maturing  
13 business or the sign of a backlash?

14 MR. GARLINGHOUSE: I think it's a maturing  
15 business. You know, again, I'll go back to I do think,  
16 for me, this feels a lot like 1996, '97 and the birth of  
17 the internet, and because I was a young whippersnapper  
18 doing stuff in Silicon Valley at the time, the earliest  
19 days of the internet, governments were like whoa, wait a  
20 minute, what does this mean? And there was lots of kind  
21 of whipsawing back and forth about what regulators are  
22 doing. I actually think most of what you see happening  
23 is regulators behaving as they should.

24 They're trying to make sure that hey, we have  
25 regulations around know your customers. There are

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1 reasons for that. And so if exchanges are trying to  
2 circumvent KYC requirements, they should come and  
3 enforce that. My only concern I would have, and back to  
4 the maturation is that people understand the  
5 differences. I mean one of the things that I think has  
6 been interesting in this recent downturn, the kind of  
7 sell-off that's happened is, for the most part, the  
8 whole category has moved at about the same decrease,  
9 like the whole category went down 30 percent over a few  
10 days.

11 That's interesting, right? Like there are  
12 some tokens whose expressed purpose is to enable  
13 anonymous transactions. And so the regulators are  
14 saying whoa, whoa, whoa, you know, we're not okay with  
15 that.

16 MR. SERWER: Right.

17 MR. GARLINGHOUSE: By the way, I think they  
18 should say that. But why does the whole market react  
19 that way? I don't -- that doesn't actually -- that, to  
20 me, is not a rational market. There are tokens being  
21 used in regulated sections, I mean I'm thinking of XRP  
22 in this case, but I think where I'm going to take the  
23 long view. I think there's going to be a lot of

24 volatility. I think what we're building has -- it's  
25 solving a real problem, and I think all of the tokens --  
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1 my advice to anybody would be understand the utility, if  
2 there's real utility and there's real value being  
3 delivered to a real customer, there will be value in the  
4 token. Otherwise I think, you know, be careful.

5 MR. ROBERTS: When we talk about the market  
6 sort of rising and falling together, and I do agree,  
7 usually, it's all coins are up or all are down, but I  
8 think in the last month or so, we've seen at least a  
9 little bit of a differentiation. Some days, Ethereum is  
10 up, but Bitcoin is down, and maybe that's encouraging  
11 and people are doing more homework. But let's do a  
12 hypothetical. We asked you about XRP at the beginning;  
13 you said I don't define Ripple's success based on the  
14 price of XRP. Let's say that --

15 MR. GARLINGHOUSE: In the short term.

16 MR. ROBERTS: Okay.

17 MR. GARLINGHOUSE: I said in the short term.  
18 Look, to be very clear, Ripple owns 61.X percent of all  
19 XRP.

20 MR. ROBERTS: That's what I was going to ask  
21 you about.

22 MR. GARLINGHOUSE: I want a very successful  
23 XRP ecosystem. The way I measure the success of that  
24 ecosystem is around volume, velocity. The success of  
25 any asset is going to be dictated by its usage, by its  
0029

1 demand. My point was simply -- I think my point earlier  
2 was I don't think about this -- and I try not to check  
3 the price of XPR multiple times a day. Sure, I probably  
4 check it once a day, but look, it's going to go up; it's  
5 going to go down.

6 What I care about is if we are delivering for  
7 our customers, there's going to be increasing  
8 opportunities to use things like X Rapid to solve a  
9 multi-trillion dollar liquidity problem. That's an  
10 exciting thing to be able to solve. And frankly, for  
11 the employees at Ripple, I think there's a  
12 mission-driven we want to put our dent in the universe  
13 and really enable an internet of value, to truly let  
14 value move the way information moves today.

15 And that is possible, and it has a lot of  
16 effects that I think are hard to predict, in the same  
17 way the internet of information in 1997, could we have  
18 predicted I could walk outside and get a car on demand  
19 or an anything on demand, whatever it is (laughter).

20 MR. ROBERTS: Do you think that XRP right now  
21 is behaving based on Ripple the business? Like

22 hypothetically, it should rise or fall based on as a  
23 Ripple signs more banking partners?

24 MR. GARLINGHOUSE: Well, I mean --

25 MR. ROBERTS: But, of course, there's a market  
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1 completely separate of everything, yeah.

2 MR. GARLINGHOUSE: -- there's a lot of  
3 speculation, I think as we've talked already, there's a  
4 lot of correct information; there's a lot of  
5 misinformation. I just -- you know, I try not to think  
6 about the price of XRP. I certainly don't comment on  
7 the price of XRP. I will, again, point out Ripple the  
8 company, as an owner of 61 percent of the tokens today,  
9 is the most interested party in the success of the XRP  
10 ecosystem. And we will do things to invest in the  
11 success of the XRP ecosystem because that's in our best  
12 interest.

13 MR. SERWER: I wanted to get a question from  
14 the audience, from Twitter from Alexander Daily. "Brad,  
15 do you see Ripple in working with financial institutions  
16 in the same line of work as Chain?" I guess they mean  
17 the company, Chain.

18 MR. ROBERTS: Or any other company, you know,  
19 building private blockchains --

20 MR. SERWER: Right.

21 MR. ROBERTS: -- for banking and financial  
22 institutions.

23 MR. SERWER: Yeah.

24 MR. GARLINGHOUSE: Well, look, I mean I have a  
25 lot of respect for Adam who was up here earlier, but my  
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1 impression is that Chain has shifted their focus to a  
2 product they called Sequence, which is, I think, more of  
3 kind of a -- I don't think about them as a competitor in  
4 what we are doing. I know they did a pilot with NASDAQ.  
5 They did some stuff with Visa. My impression is that  
6 they are working on kind of a new segment of that  
7 customer set, so in the cross-border payment space, I  
8 think Ripple is far ahead of what anybody else is doing  
9 and I feel good about the kind of traction and moment,  
10 and the pipeline of customers that we have going.

11 MR. SERWER: So are you a blockchain company?  
12 Are you a crypto company? Both? Neither? What are  
13 you? What are you?

14 MR. GARLINGHOUSE: Well, the first is we're a  
15 payments company.

16 MR. SERWER: Yeah. Okay, so you're not --

17 MR. GARLINGHOUSE: I mean -- people are going  
18 to make fun of me. I'm going to keep going back to  
19 1997. I feel old.

20 MR. SERWER: Yeah, that's all right.

21 MR. GARLINGHOUSE: You know, we used to talk  
22 about these companies, they were internet companies. Is  
23 Yahoo an internet company? No, Yahoo's a media company,  
24 I think. The Peanut Butter Manifesto debated that, but  
25 the point is I think of Ripple as a payments company

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1 that uses Blockchain and digital assets to solve a  
2 problem for payments. One of the challenges, I think,  
3 there's a lot of companies and platforms out there that  
4 I think have a peanut butter problem. They're trying to  
5 be all things to all people.

6 If you have 100 different use cases you're  
7 pursuing, you have zero because you cannot understand  
8 100 different customers and 100 different needs of the  
9 buyer. And you need to focus and understand hey, we're  
10 going to solve for this vertical, and we're going to use  
11 blockchain technologies to do that. So I'm a payments  
12 company that uses blockchain and uses digital assets to  
13 solve a payments and liquidity problem.

14 MR. SERWER: All right. Let's let him have  
15 the last word with that.

16 MR. ROBERTS: That's what it is.

17 MR. SERWER: And I know a lot of people wanted  
18 to hear what you had to say today, Brad, so thank you  
19 very much for coming here. Brad Garlinghouse, CEO of  
20 Ripple. Please join me thanking him.

21 (Applause)

22 MR. GARLINGHOUSE: Thanks, guys.

23 (Music)

24 (End of video.)

25 \* \* \* \* \*

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1 TRANSCRIBER'S CERTIFICATE

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3 I, Wendy Smith, hereby certify that the foregoing  
4 transcript consisting of 32 pages is a complete, true  
5 and accurate transcription of all matters contained on  
6 the recorded proceedings, BRAD GARLINGHOUSE RIPPLE CEO  
7 YAHOO FINANCE INTERVIEW 30 MINUTES - YouTube, in the  
8 matter of RIPPLE, File Number NY-09875.

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Interview with Brad Garlinghouse, 3/7/2018, via CNBC

<https://www.cnbc.com/video/2018/03/07/ripple-ceo-brad-garlinghouse-on-fast-money.html>



In this video XRP:US +0.01 (+2.46%)

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## Ripple CEO Brad Garlinghouse on Fast Money

CNBC's Brian Kelly talks with Ripple CEO Brad Garlinghouse about the cryptocurrency craze and what's next for Ripple.

WED, MAR 7 2018 - 5:38 PM EST

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1 UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
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3 In the Matter of: )  
4 ) File No. NY-09875-A  
5 RIPPLE )  
6  
7 SUBJECT: [400x224] Ripple CEO Brad Garlinghouse on  
8 Fast Money  
9 PAGES: 1 through 10

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P R O C E E D I N G S

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[400x224] Ripple CEO Brad Garlinghouse on Fast Money

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MR. GARLINGHOUSE: Early on, Ripple the  
company took the point of view of look, how do we use  
XRP to solve an institutional use case. Our goal hasn't  
been to go out and curry favor with the speculators,  
it's really been to solve a big problem around how  
payments flow cross-border for banks, for payment  
providers. We've been very fortunate by focusing on  
that segment and signing up really over a hundred  
customers now ranging from some of the largest banks in  
the world to, you know, small banks.

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14

But I think it -- Wall Street has responded  
because people I think recognize -- at the end of the  
day, any digital asset, it's only as valuable as the  
problem it's solving. And if it's just speculative,  
over the long-term that's not going to work out well.

17

18

19

BK: So, but how have you got Wall Street  
executives comfortable? Because you have a lot of  
prominent Wall Street people saying -- and firms saying  
you can't buy Bitcoin, and they're saying Bitcoin  
specifically, but it's still a digital currency.

22

23

MR. GARLINGHOUSE: Yeah.

24 BK: How do you get them comfortable with that  
25 saying you know what, use this digital currency not  
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1 Bitcoin because this one's okay?

2 MR. GARLINGHOUSE: You know, I think it's  
3 incredibly important that the whole industry recognize  
4 that we have to work with the regulators. We have to  
5 work with the system. I've been fond of saying the  
6 blockchain revolution is happening from within the  
7 system, it's not going to happen from outside the  
8 system.

9 There's some in the Bitcoin community that  
10 really advocated kind of, you know, not just down with  
11 banks, but down with governments. And we have been a  
12 contrarian relatively speaking in that regard. And so I  
13 think when we think about an XRP flow and solving that  
14 institutional money flow or we've announced pilots with  
15 Western Union and MoneyGram, all of those transactions  
16 are happening through a registered financial institution  
17 to a registered financial institution where there's a  
18 KYC -- something called a KYC check, know your customer.

19 Every financial transaction is through a  
20 regulated endpoint. And so, when regulators hear that  
21 and they understand that, they're like oh, so you're not  
22 circumventing regulations, you're not trying to enable  
23 anonymous transactions.

24 And I think that's incredibly important for  
25 the world to understand that like to the extent there's  
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1 concern, regulatory concerns about digital assets, not  
2 all assets are created the same, and we should  
3 understand what the differences are.

4 BK: So, all right. So, part of that is, you  
5 know people have called Ripple the more centralized  
6 currency, right?

7 MR. GARLINGHOUSE: Yeah.

8 BK: For various technical reasons. But is  
9 that something that got Wall Street more comfortable,  
10 the fact that you the company have more control over the  
11 currency than maybe a completely open source, something  
12 like Bitcoin?

13 MR. GARLINGHOUSE: Well, I think, you know,  
14 Ripple is a centralized company investing on top of a  
15 decentralized technology called the XRP Ledger.

16 BK: Okay.

17 MR. GARLINGHOUSE: And so that part is  
18 decentralized. But I think why -- it has given us an  
19 advantage where we have this strategic asset. We have  
20 60 billion dollars' worth of XRP, and we can use that as  
21 an asset to invest in the XRP ecosystem.

22           There's no party more interested in the  
23 success of the XRP ecosystem than Ripple. We want that  
24 to be massively successful because we own a lot of XRP.  
25 So, it gives us an opportunity to invest in that, and

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1 we've invested in venture funds, we've invested in hedge  
2 funds, we've invested in companies. And we've also  
3 partnered with payment providers, we've partnered with  
4 market makers in order to make sure that XRP is the most  
5 useful digital asset out there for solving a  
6 cross-border payments problem.

7           BK: So that bring -- okay. So the -- that  
8 brings out the question of if you are partnering with  
9 some of the premier players in this space, and you want  
10 XRP the currency to do well because you hold some, how  
11 important is partnering with somebody like Coinbase who  
12 is effectively now the kingmaker of coins, how important  
13 would it be to get a listing there?

14           MR. GARLINGHOUSE: Well, you know, there are  
15 obviously probably over a hundred exchanges around the  
16 world. Coinbase is one that obviously has a lot of  
17 success. You know, when we -- XRP is listed in over 60  
18 exchanges around the world today.

19           The liquidity between Fiat and XRP is very  
20 important to us. You think about solving a payments  
21 problem, you want to make sure there's good liquidity  
22 between lots of Fiat, whether that's the Mexican Peso,  
23 or the Philippine Peso, the U.S. Dollar.

24           Today we have liquidity of the U.S. Dollar  
25 through exchanges like Bitstamp and Kraken, and we want

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1 to obviously continue to see that grow because we want  
2 to make sure XRP is the most liquid.

3           Now as it relates to Coinbase specifically,  
4 you know, Coinbase will have to decide what they want to  
5 do, make the announcements that are appropriate for  
6 them, but we certainly don't comment on, you know,  
7 status of those kinds of things.

8           FEMALE: Let's bring BK back in. He is in  
9 front of apparently the Golden Gate Bridge -- the Bay  
10 Bridge.

11           BK: So, people were paying attention.

12           FEMALE: I know. People were paying  
13 attention. You caught them.

14           BK: That was BK's little joke, yeah, exactly.

15           FEMALE: So Garlinghouse is very diplomatic  
16 about whether or not he would be added to Coinbase. He  
17 said it's up to Coinbase. What do you think, BK, what's  
18 the next logical coin to be added?

19           BK: So, I mean, certainly Ripple is probably

20 one of those. Ripple, Stellar are one of those. I  
21 don't have any special insight. But, you know, Coinbase  
22 is a strategic partner for most coins out and, you know,  
23 Ripple is a currency.

24 I don't think, and I'm not a lawyer, but I  
25 don't think you can argue that it's necessarily security

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1 at all, so it would be a natural step for them to do  
2 that. You know, so the -- I would say Ripple or Stellar  
3 would my odds-on favorite to be the next one to be put  
4 on Coinbase.

5 The other thing you got to remember is, you  
6 know, Coinbase is being very thoughtful about what  
7 they're doing. They're trying to be the safest and  
8 simplest exchange. This is what we heard from their CEO  
9 yesterday. And so, they're going to be deliberate about  
10 it. They are going to make sure that everything that  
11 goes on there is a high-quality asset, and they've done  
12 their due diligence.

13 FEMALE: We should actually note, too, and  
14 before we move on from this topic that Ripple had  
15 actually gone up in value -- or XRP had gone up in value  
16 on this notion that we were going to be speaking to  
17 Garlinghouse and Asiff Hirji on Fast Money on our crypto  
18 show yesterday because people thought that was a  
19 surefire way of telling that Ripple was going to be  
20 listed on Coinbase, which didn't happen.

21 And that right now Coinbase is facing a  
22 shareholder lawsuit surrounding the circumstances of the  
23 BCH rise, the Bitcoin cash rise ahead of it being added  
24 to the platform. So, this is why we're really talking  
25 about this, and Coinbase is being extra careful about

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1 how they tell the world which coin they're going list.  
2 But Seaberg's (phonetic) got a question.

3 BK: Exactly.

4 DS: BK -- it's DS, BK. A question on Ripple.

5 BK: Hi.

6 DS: Ripple's coin is not correlated to  
7 transactions, right, whereas Stellar is correlated to  
8 transactions, a true decentralized platform where you  
9 have adoption really driving the value of the coin.

10 So, do you look at Ripple and say that is  
11 concerning to you over the long term? Wouldn't you  
12 prefer to own a coin like Stellar that gives you that  
13 sort of, you know, really true decentralized sort of  
14 platform?

15 BK: Well, I own both for two different  
16 reasons. They've kind of taken -- first of all, the  
17 Stellar and Ripple platform are very, very similar,

18 developed by the same people, essentially, and they've  
19 since split, and they're developing differently.

20 But what I would say about Ripple, that has  
21 been a concern about Ripple that you don't necessarily  
22 need the Ripple currency to operate the first product  
23 that they released, which was essentially going after  
24 SWIFT, inter-bank global payments.

25 Now they have other products that they're

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1 announcing that you actually do use the currency for.  
2 And so that to me is the game-changing piece for Ripple  
3 because it does say, you know what, if these products  
4 take off, and they're very early stages, they're just  
5 trials, but if they take off --

6 FEMALE: Mm-hmm.

7 BK: -- then the currency is going to be an  
8 integral part of it.

9 (End of video.)

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7 Garlinghouse on Fast Money, in the matter of RIPPLE,  
8 File Number NY-09875.

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Interview with Brad Garlinghouse, 3/12/2018, via Digital Ventures

<https://www.youtube.com/watch?v=u3LT9xSwbp0>



Brad Garlinghouse CEO from ripple. Digital Ventures interview

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8 Digital Ventures Interview - YouTube  
9 PAGES: 1 through 39

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MALE SPEAKER: Great. Thank you very much,  
Mr. Paul. We appreciate you being on the stage for a  
while. With the keynote from Mr. Paul, we give you an  
insight and also thoughtful about what is really the  
blockchain technology, but at least about the  
introductory of the key of the message, which is we're  
going to get into about more detail about that. Through  
honorable guests, we have learned about this role of the  
blockchain, but to go further, we would like to invite  
for our guest CEO of the Ripple, Mr. Brad Garlinghouse  
with us here, so please welcome Mr. Brad.

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(Applause)

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MALE SPEAKER: What's up, Brad? Good to have  
you with us today.

17

18

MR. GARLINGHOUSE: Great to be here. It's an  
honor to be here.

19

20

MALE SPEAKER: What kind of a world are we  
living in where the startup guy dresses like a banker  
and the banker dresses up like a startup guy?

21

22

(Laughter)

23

24 MR. GARLINGHOUSE: Look, Ripple is a company  
25 that takes our customers seriously, and I think, as you  
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1 already pointed out, there's a lot of stuff going on in  
2 blockchain. Ripple has tried very hard to focus on  
3 solving real problems for real customers, and, we wear  
4 the suit.

5 MALE SPEAKER: Well, then let's go into that,  
6 then. Can you tell us what is Ripple? What is Ripple's  
7 vision for the internet of value? And, frankly, what  
8 does the internet of value mean?

9 MR. GARLINGHOUSE: Sure. So when I think  
10 about the presentation we just saw and what is  
11 blockchain, at the end of the day, I think about  
12 blockchain as something that can enable two parties to  
13 transact without essential counterparties. I've gotten  
14 the question before of is Ripple a blockchain company?  
15 Is Ripple a crypto company? What is Ripple? And I've  
16 said Ripple's a payments company. We're solving a  
17 payments problem. We happen to use blockchain  
18 technologies. We happen to use a digital asset to solve  
19 that problem.

20 But at its core, Ripple is selling solutions  
21 to banks, to financial institutions, to payment  
22 providers globally that enables them to transact with  
23 much lower cost, much faster and to improve -- I'll just  
24 generically for now -- we can go deeper later, but  
25 around how liquidity is managed, how cross-border  
0004

1 transactions are managed. You're talking about  
2 trillions of dollars that is parked in these events  
3 around the world to help enable payments, and Ripple is  
4 making that far more efficient by using blockchain  
5 technologies and by using a digital asset, the kind of  
6 one that we use is XRP, as you introduced. I can talk  
7 more about how that works, too.

8 MALE SPEAKER: Uh-huh. And before we delve  
9 deeper into Ripple and blockchain and payments, I want  
10 to -- I want to take a step back and get to know a  
11 little bit more about your background because it's quite  
12 interesting. I mean here you are, you're one of the  
13 most prominent figures in the blockchain space today and  
14 yet, you come from neither an engineering/computer  
15 science/cryptography background, nor do you come from  
16 financial services, and you just went off on payments  
17 (laughter). So, you know, what path led you to Ripple?

18 MR. GARLINGHOUSE: Well, I'll tell you a quick  
19 slight tangent on this. When I got the call -- when,  
20 you know, they were looking for a new leader at Ripple,  
21 I got a call, and I was actually, at the time, an Uber

22 driver. That is a true story. I had taken a month of,  
23 you know, time to do new things and try new things, and  
24 I decided to be an Uber driver.

25 So I know more -- at the time, knew more about  
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1 Uber driving than I did the payments industry. I say  
2 that somewhat in jest, but what's interesting about what  
3 Ripple is doing is I think if you have too much of an  
4 insider's view and you come from banking, then you might  
5 not fully appreciate what is possible and, as you  
6 already introduced, all of the different things that you  
7 could do with blockchain. If you come too much from the  
8 product and tech side, there are a lot of people in the  
9 blockchain community, I think, they think about the tech  
10 and the product first and not the problem they're trying  
11 to solve.

12 I think what Ripple has been effective at  
13 doing is bringing together three legs to a stool. We  
14 have four legs here, I'm trying to think what my fourth  
15 could be, but three legs to the stool. One is -- it is  
16 understanding banking and understanding payments. The  
17 second is you've got to have really robust technology.  
18 You have to have an excellent product that's solving a  
19 real problem.

20 But the third is we live in a regulated world,  
21 and these three legs of the stool, we have people at  
22 Ripple who come from regulatory backgrounds, who come  
23 from deep in the tech space background, and certainly  
24 people in the in the banking background, and I get to be  
25 And I the ring master of this experience. And I think

0006  
1 my experience in Silicon Valley, I moved there 20 years  
2 ago, at the birth of the internet. When I moved to  
3 Silicon Valley, you know, Netscape was a couple of years  
4 old; Google didn't exist; amazon was just a bookseller.  
5 And when I look at that experience 20 years ago and how  
6 I apply it to blockchain today, I think there's a lot of  
7 similarities.

8 There's a movement happening in terms of how  
9 blockchain can change industries. Twenty years ago, we  
10 talked about the internet. We talked about how the  
11 internet is going to change industries. What I think is  
12 exciting is it's very difficult to predict how  
13 blockchain technologies are going to change industries  
14 over 20 years. In the same manner, 20 years ago, I  
15 couldn't have predicted the internet would enable me to  
16 click a button on my phone and get on demand cars or  
17 food or dog walking or anything else you might want.

18 MALE SPEAKER: And you've worked with some of  
19 the storied names of Silicon Valley. Have those

20 experiences been sort of building blocks that have  
21 successfully led you towards Ripple or has it been a bit  
22 of a meandering path where you just sort of found  
23 yourself, all of the sudden, running one of the most  
24 prominent crypto blockchain payments companies in the  
25 world?

0007

1 MR. GARLINGHOUSE: Well, look, I think, in  
2 some ways, luck beats skill and so I think Ripple has  
3 made a lot of smart decisions. We've also been  
4 fortunate to find ourselves in the right place at the  
5 right time. There is, I think, appropriately, a lot of  
6 excitement around blockchain. There should be. But I  
7 think the hype, in many cases, is ahead of the reality.

8 Within that excitement, Ripple's focus on  
9 solving a real problem for real customers and being  
10 really the only blockchain company with real production  
11 customers has put us in a really powerful position.  
12 What has served me well over the last 20 years in  
13 Silicon Valley looking at these opportunities is  
14 thinking about at the end of the day, you've got to  
15 solve a real problem.

16 As we talk about ICOs and I know, you know,  
17 it's one of the topics we'll cover today, if you're not  
18 solving a real problem, if there's not real utility, you  
19 have to ask yourself well why, what is the point here.  
20 And I think that when I think about the long term value  
21 of XRP, when I think of the long term value of any  
22 digital asset, it's about the utility, the problem it's  
23 solving and the size of that problem. If there's real  
24 utility, then over an arch of time, the value of that  
25 token is going to reflect the value in solving that

0008

1 problem and delivering on that utility.

2 MALE SPEAKER: So, given your background and  
3 given the importance of blockchain today, is it a fair  
4 assessment to say that it is the responsibility of  
5 everyone in the organization, regardless of rank or  
6 background or training, to understand blockchain, the  
7 implications of blockchain? Or is it too complex or too  
8 nuanced and best left for the CTOs and corporate  
9 strategists?

10 MR. GARLINGHOUSE: Well, I'd answer that  
11 question the same way I'd answer the question in the  
12 context of the internet. How many people really  
13 understand things like SMTP? SMTP is the guts of how  
14 email works. The number of people who use email that  
15 understand SMTP, that's a limited set. I don't think  
16 you need to understand the cryptography behind  
17 blockchain, the intricacies of how ledgers are

18 distributed and how nodes validate transactions.

19 What you need to be able to understand is that  
20 is it solving a problem? And again, to me, sometimes we  
21 get too caught up in the technology. We get too caught  
22 up in almost religious arguments about decentralization  
23 nor not decentralization, and it comes down to like can  
24 we solve a real problem? You know, I even think as you  
25 think about some of your presentation earlier, one

0009

1 important question I think we should all ask ourselves  
2 when we're seeing a blockchain company is would a  
3 database work better.

4 I think a lot of times we say oh, it's cool,  
5 it's hot, it's blockchain. Buzzword, blockchain. But  
6 guess what? There's a lot of times I see blockchain  
7 startups that come to meet with me at Ripple or I read  
8 about in the media and I think, huh, a database would  
9 work a lot better than a blockchain in that situation.  
10 And that's an example to me of the hype getting ahead of  
11 the reality. People shouldn't use a blockchain just  
12 because it's a cool buzzword. It's like big data or AI.  
13 We should ask ourselves is this uniquely solving a  
14 problem for this problem. And I think there's plenty of  
15 examples where that's not always the case.

16 MALE SPEAKER: And do you think that's really  
17 just a symptom of people getting seduced by all of the  
18 hype and activity and valuation out there?

19 MR. GARLINGHOUSE: I think it's people getting  
20 seduced by easy money, easy capital, right? You know,  
21 lots of entrepreneurs, and, by the way, I -- in my 20  
22 years in Silicon Valley, I've been involved in lots of  
23 startups and raised capital and been at companies. It's  
24 been hard to raise capital; it's been easy to raise  
25 capital. ICOs have made capital raising -- has reduced

0010

1 the fiction and has exposed that opportunity to  
2 sometimes unqualified participants.

3 And so I think the seduction is in if you make  
4 it far less friction and far less oversight in how you  
5 raise capital, people are going to say hey, I got a  
6 token. Whether or not that token does anything to  
7 actually solve a problem became secondary, and it's  
8 certainly one of the reasons why I have been proactive  
9 in speaking out. I think people's excitement about ICOs  
10 is way out of step with the reality. Well, I'll leave  
11 it at that.

12 MALE SPEAKER: Well, let's pause the ICO  
13 discussion because I'd love to hear more about it, but  
14 you're here in your capacity as Ripple, and it's  
15 probably best for us to understand a little bit more

16 about how your technology works. So can you start by  
17 explaining to the audience, particularly those of us  
18 that aren't bankers how international remittances work  
19 today and how Ripple intends to upend that process and  
20 what's the role of the XRP token in all of that?

21 MR. GARLINGHOUSE: Right. So today, if Paul  
22 and I decided we wanted to send \$10,000 to San  
23 Francisco, where I live, it would be a whole lot faster  
24 for us to go buy a plane ticket at the Bangkok airport  
25 and fly it there than to actually use what's called the

0011

1 correspondent banking system to get it there. So  
2 correspondent banking is the nature of how it was  
3 developed in really the 70s. There's something called  
4 swift messaging that confirms transactions, and it's  
5 basically just a set of instructions from one bank to  
6 another bank to another bank to another bank that allows  
7 money to move.

8 It is slow. It is expensive. And there's  
9 very little transparency in how that works. So an  
10 amazing -- two amazing stats on that transparency point,  
11 one is that even swift would tell you there is a six  
12 percent error rate in those global transactions. Think  
13 about that. And for those of us that are in the tech  
14 world, we aspire to have three nines or four nines or  
15 even five nines reliability. Our global financial  
16 infrastructure has one nine of reliability. That's  
17 pretty embarrassing when you think about the fact that I  
18 can stream video from the Space Station and it takes  
19 me -- you know, flying money there is the most efficient  
20 way to move money from Point A to Point B, across  
21 networks.

22 So I look at that existing banking system and  
23 the intermediary, that central counterparty, and we  
24 talked about blockchain that's something that can allow  
25 two parties to interact without a central counterparty,

0012

1 the central counterparty is that correspondent bank. We  
2 can democratize banking by allowing a financial  
3 institution and another financial institution to  
4 transact directly without having that chain and that  
5 trust that goes through the chain today. So we, today,  
6 work with banks, including SCB, to enable fiat-to-fiat  
7 transactions, do real-time fiat-to-fiat transactions,  
8 using existing what are called prefunded accounts,  
9 nastra and bastra (phonetic) relationships.

10 We just started rolling out another product  
11 that allows you to use XRP as part of those payment  
12 flows. We've announced five or six customers using XRP  
13 for those payment flows into Mexico particularly,



14 Mexican peso. We certainly think this is just the  
15 beginning. If you can offer a cheaper product -- excuse  
16 me, a better product at a cheaper price, I think you're  
17 going to see a lot of people adopting that as a  
18 solution.

19 MALE SPEAKER: So at the end of the day,  
20 without -- as you said, not needing to know the  
21 technology, the problem you're trying to solve is just  
22 cheaper, faster, more secure payments?

23 MR. GARLINGHOUSE: Right. I mean again, I  
24 don't know the details of SCB specifically, but a bank  
25 like SCB will often have 100 or more correspondent

0013

1 banking relationships where they have parked capital  
2 around the world. They will hold capital in dollars,  
3 Mexican pesos, Filipino peso, Singapore dollar. And  
4 that cross-border transaction is about 70 percent of  
5 Thai's GDP, Thailand's GDP touches cross-border  
6 transactions. To enable those transactions, you then  
7 use those prefunded accounts to debit and credit. And  
8 that is basically how correspondent banking works today.

9 Our view is simply when you SCB, as an  
10 example, parks capital in, let's say, the Mexican peso,  
11 that's dormant capital. It's sitting there. How can we  
12 make it more active? If we can enable a real time  
13 payment instead of a prefunded payment, we can actually  
14 accelerate the global engine of commerce. That's good  
15 for banks. That's good for bank customers. We think it  
16 fundamentally -- the architecture that we depend upon  
17 today that was built 70 plus years -- excuse me, in the  
18 70s, needs a full upgrade to really an age of the  
19 internet.

20 MALE SPEAKER: So by its very nature, an  
21 international payments company has to be international  
22 in terms of its strategy. What is Ripple's global  
23 strategy, particularly as it pertains to Asia, because  
24 you have a joint venture in Japan, you're collaborating  
25 with us here in Thailand. I know you have offices in

0014

1 Singapore and in India, and you've probably already done  
2 a few things over lunch that I don't know about.  
3 (Laughter) So what is your grand plan to sort of  
4 dominate the world?

5 MR. GARLINGHOUSE: (Laughter) Well, step one  
6 of dominating the world is make sure that we're keeping  
7 our customers very happy. We've been really fortunate.  
8 We're signing up more than a customer a week now. We  
9 haven't even really talked about -- we focused mostly on  
10 banks. One of the other dynamics here is you have a  
11 whole next generation of digital providers. These are

12 the PayTMs, the Lin-Lin Pays, the OlliePay, even the  
13 PayPal's. And when we think about it, it's how do we  
14 make all of these interoperable through a next  
15 generation set of technologies.

16 And so when I think about our international  
17 strategy, we've been incredibly fortunate. We now have  
18 over 60 banks we work with in Japan through a joint  
19 venture in Japan. We have banks throughout Southeast  
20 Asia, including SCB, we're fortunate to be working with.  
21 Last week or maybe the week before, we signed up some of  
22 our first banks in Brazil with Itao and Becks Bank  
23 (phonetic). A few weeks before that, we signed up  
24 Lin-Lin Pay in China as one of the digital wallet  
25 players. So look, by nature of what we do, we're a very

0015

1 global company. We certainly have customers around the  
2 world and employees around the world, also.

3 MALE SPEAKER: Great. Now, until recently,  
4 Ripple has been a name that's largely known in tech  
5 circles and blockchain circles and banking circles but  
6 probably very little public awareness. And then in  
7 December, we just see this tremendous runup in all  
8 cryptocurrency prices and now, all of the sudden,  
9 everyone and their grandmother is talking about Ripple's  
10 XRP and how they can get some. What do people not  
11 know -- what should people know about XRP? What are the  
12 great misunderstandings about the token and what its  
13 place is in the blockchain world?

14 MR. GARLINGHOUSE: Well, I guess two things I  
15 would say are misunderstandings. First of all, I would  
16 say for everyone's benefit, there is a lot of  
17 misinformation out in the marketplace, not just about  
18 XRP, but about digital assets broadly. If you're  
19 interested in participating in the digital asset space,  
20 do your homework. There's a lot of misinformation. I  
21 would say there's a lot of religion almost about this  
22 space, and where you have people who believe in God and  
23 people who don't believe in God. For XRP, I would say  
24 the two biggest misconceptions, one is people describe  
25 it as a centralized technology. That's just not true.

0016

1 XRP is a decentralized technology. Anyone in  
2 this audience can go and download the open source  
3 technologies that allow you to run a validator. The  
4 other important measure I think is if Ripple the company  
5 went away, XRP, the XRP ledger would continue to exist.  
6 So the first misconception is XRP is absolutely  
7 decentralized, you know, actually, even in contract, I  
8 mean there's some evidence that it's, in some ways, more  
9 decentralized than some of the ones that are called

10 decentralized.

11           The second misconception is that oh, well,  
12 Ripple, the software company -- Ripple, the company  
13 selling solutions to banks and payment providers, Ripple  
14 could be successful, but XRP would not be successful.  
15 Look, at our core, our goal is to develop an incredibly  
16 healthy XRP ecosystem. We own about 60 percent of all  
17 XRP. I am the most interested person, as CEO of Ripple,  
18 in making sure the XRP ecosystem is successful, making  
19 sure that not just Ripple is successful building tools  
20 to leverage the liquidity and leverage the velocity of  
21 XRP, but also looking at other use cases to leverage the  
22 XRP ledger.

23           We've started to do some of those, you know,  
24 even some of the things you talked about earlier around  
25 providence, around identity, there's lots of examples

0017

1 where the XRP ledger could be leveraged very effectively  
2 for that. And so we will continue as a company to  
3 invest in support and partner with companies going after  
4 those other vertical use cases.

5           MALE SPEAKER: So if you had a man on the  
6 street approach you and who's obsessed about I just  
7 bought a whole stack of XRP and I want to see it climb X  
8 thousand percent, what would you say to that person  
9 about Ripple in general? It's like I know you probably  
10 want him to get off the price of XRP (laughter) --

11           MR. GARLINGHOUSE: But --

12           MALE SPEAKER: -- what would you say? How  
13 would you redirect their focus?

14           MR. GARLINGHOUSE: It's not even so much I  
15 would get them off the price, it's that look, if you are  
16 engaging in any digital asset speculation, if you're  
17 doing it because you're trying to get in and out, like  
18 you're not -- I'm not interested in that. One of the  
19 things I say internally at the company is I don't check  
20 the price of XRP every day. I don't check it every few  
21 days. For employees at Ripple or even people in the  
22 ecosystem, I don't think about the price every three  
23 days or three weeks or three months.

24           What Ripple is doing in enabling in internet  
25 of value, this is a three-plus-year journey. What I

0018

1 know for certain is if we can continue to build a  
2 momentum of customer usage that continues to drive the  
3 velocity and demand for XRP over a three-plus-year  
4 timeframe, I feel very comfortable about the opportunity  
5 to continue to grow the value of the XRP ecosystem,  
6 which is good for all of the participants in the XRP  
7 ecosystem.

8           Ripple has not -- unlike some of the other  
9 players in the crypto space, we have focused on an  
10 institutional use case, and some of the runup you were  
11 describing that happened last December, I think was in  
12 part driven because XRP was kind of unknown. We weren't  
13 focused on speculators. We weren't even listed on most  
14 exchanges.

15           For many markets, it's actually hard to buy  
16 XRP, and people say Brad, why aren't you solving that.  
17 And I say I'm not trying to solve a speculator's  
18 problem, I'm trying to solve an institutional problem.  
19 I'm try to solve a problem that is measured in the  
20 trillions of dollars, that is focused on payment  
21 providers and banks. And while the gentleman on the  
22 street I might bump into, if he or she is interested in  
23 the long-term value creation, then I view them as part  
24 of the journey and I want to give a big hug, at least  
25 take a selfie with them.

0019

1           MALE SPEAKER: (Laughter) Okay, then. I'll  
2 ask you about the price and then we'll get our selfie.  
3 So let me get back to a little bit more on sort of the  
4 public awareness and perception of Ripple. And I think  
5 you address some of that, but there are a lot of these  
6 Bitcoin and blockchain purests. One of the comments  
7 that I get when I talk to a lot of these folks are that  
8 oh, well, you know, Ripple's not -- they're not real  
9 blockchain because they're not public.

10           MR. GARLINGHOUSE: Yeah.

11           MALE SPEAKER: Part of it's decentralized, but  
12 it's not enough to be decentralized. But you need to be  
13 a public blockchain.

14           MR. GARLINGHOUSE: Yeah.

15           MALE SPEAKER: And oh, well, you know XRP will  
16 never displace Bitcoin as a cryptocurrency.

17           MR. GARLINGHOUSE: Yeah.

18           MALE SPEAKER: You know, what do you -- what  
19 are your thoughts on that?

20           MR. GARLINGHOUSE: Yeah.

21           MALE SPEAKER: Is there any merit to that at  
22 all or just --

23           MR. GARLINGHOUSE: Oh, there's a lot of merit  
24 to some of that. Look, I'll tell you a quick story, my  
25 background. One of the first banks that Ripple

0020

1 signed -- so today, we have a product in the market  
2 that's -- we're releasing Version 4. When we launched  
3 Version 1.0, which is always an exciting time for a tech  
4 company, you release a product; it's Version 1.0. We  
5 launched that product, we were partnered with one of the

6 largest banks in the Middle East, and we went to market  
7 and we went live. And we got a call from a very upset  
8 Middle Eastern banker saying wait a minute, people can  
9 see my transactions. I don't want people to see my  
10 transactions.

11 So look, blockchain is powerful and a public  
12 ledger can be leveraged to make transactions, but  
13 banks -- I mean if every SCB transaction was written to  
14 a public ledger, would SCB be excited about that? The  
15 answer is no, I'll tell you very certainly. The nature  
16 of how we have evolved our technology, yes, some of  
17 it -- XRP is a public, open ledger. A different part of  
18 Ripple's technology that connects banks to the liquidity  
19 solutions, these are private -- think about it almost as  
20 a private temporary blockchain between two banks that's  
21 cryptographically signing the transaction, holding it in  
22 escrow and releasing it at the same time, so you never  
23 have a situation where a transaction doesn't complete.

24 But the point I would make is those who  
25 espouse this idea of, look, all transactions should be

0021

1 open, I look at that and I think that is not the real  
2 world. We can talk about the origins particularly  
3 around Bitcoin, and to some degree, other tokens has  
4 been this idea of hey, we're going to circumvent  
5 governments. We don't want the government involved.  
6 We're going to circumvent banks. Look, Ripple, we come  
7 at it from exactly the opposite point-of-view.  
8 Governments aren't going away; by extension, banks are  
9 definitely not going away. We can enable banks to  
10 enable an internet of value.

11 If you want to enable an internet of value,  
12 you have to connect the repositories of value. The  
13 repositories of value are the banks. We want to work  
14 with the banks, with financial institutions, with  
15 payment providers, with Lin-Lin Pay or PayPal or fill in  
16 the blank, to dramatically accelerate the nature of how  
17 payments occur today and reducing that friction.

18 MALE SPEAKER: Exciting. Now, for me, what's  
19 amazing about Ripple, particular when we as SCB were  
20 looking at it a couple of years ago is not just what  
21 Ripple is doing as a blockchain infrastructure company  
22 in the payment space, but your vision beyond financial  
23 services. So can you tell us a little bit about what  
24 the inter ledger protocol is --

25 MR. GARLINGHOUSE: Sure.

0022

1 MALE SPEAKER: -- and what Ripple's vision for  
2 it?

3 MR. GARLINGHOUSE: Yeah. So as Paul has said,

4 I don't think you have to understand all of the  
5 technology behind all of these things and how they work  
6 in order to participate in the blockchain ecosystem, one  
7 of the core technologies behind what Ripple is building  
8 is called the inter ledger protocol. The premise here  
9 is the idea that there won't be one ledger to rule them  
10 all, so we need to think about interoperability between  
11 ledgers.

12 The ledger -- you know, enabling  
13 interoperability between Lin-Lin pay and SCB's ledger,  
14 enabling the interoperability between the SCB's ledger  
15 and the Australian stock exchange. And the idea is how  
16 do we switch these together. The idea that one ledger,  
17 there'll be one blockchain to rule them all, you'll  
18 almost never hear me say the blockchain. I'll refer to  
19 a blockchain because there's many blockchains today.

20 There's going to be more blockchains. We need  
21 to enable them to interoperate in a very seamless way,  
22 so today, we sell technologies that leverage the inter  
23 ledger protocol to connect different ledgers. That  
24 includes the Bitcoin ledger. That includes the Ethereum  
25 ledger. That includes the Hyper ledger. We want to

0023

1 make sure that our technology, in some ways like TCPIP,  
2 TCPIP is the underlying technology of the internet of  
3 information. We see the inter ledger protocol or ILP as  
4 the open source technology that underpins the internet  
5 of value.

6 We're selling connectors between bank ledgers  
7 and financial institution ledgers and ILP and enabling  
8 them to use that technology to transact in a trusted way  
9 in real time.

10 MALE SPEAKER: And what value does that create  
11 to the blockchain space, versus not having that inter  
12 ledger protocol?

13 MR. GARLINGHOUSE: Well, I think the big value  
14 is the interoperability piece. You can hold a Bitcoin  
15 and transact it over to -- hypothetically to the B of A,  
16 the Bank of America's ledger. I think about -- our goal  
17 around internet of value is how do we reduce friction  
18 across all of these different use cases? It's really  
19 hard to think about the science fiction of 20 years from  
20 now if you can reduce value -- excuse me, if you can  
21 reduce friction to move value between any transaction,  
22 not just for corporate use cases where it's 1,000 or  
23 10,000 but a penny.

24 I mean think about back to science fiction,  
25 today, the only efficient way for you and I to transact

0024

1 for a nickel, I don't know what the equivalent is in

2 bot, but a nickel is for me to hand it to you. That's  
3 kind of a crazy thing. There's no other way to  
4 efficiently move a nickel? Do we not think in an  
5 internet of things, an internet of connected devices,  
6 some of those devices are going to be economic actors.  
7 Some of those devices are going to be able to pass  
8 transactions. There are going to be micropayment needs  
9 that our existing financial infrastructure cannot  
10 support, and this is an example where the inter ledger  
11 protocol could enable this for virtually zero cost to  
12 enable transactions between ledgers.

13 MALE SPEAKER: And I imagine that opens up a  
14 broad new world of the economy once we start talking  
15 about micropayments, we started talking about financial  
16 inclusion, we start talking about including populations  
17 that don't get to participate, not just in the financial  
18 system, but probably even the information system at  
19 large --

20 MR. GARLINGHOUSE: Sure.

21 MALE SPEAKER: -- and we'll probably touch a  
22 little bit more on that when David's up here.

23 MR. GARLINGHOUSE: Absolutely.

24 MALE SPEAKER: So let me ask, Ripple's had  
25 experience engaging with governments and regulators the

0025

1 world over, can I ask you what are some of the most  
2 common concerns and fears that are almost universal  
3 across all of these regulators that you've spoken to?  
4 And do you have any advice or words of wisdom or just  
5 thoughts that you could share with the regulators that  
6 might be in this audience about how they might start  
7 thinking about or engaging with blockchain in such a way  
8 to allay those fears?

9 MR. GARLINGHOUSE: I want to answer this in  
10 two different ways. The first is back to my comment  
11 earlier, there is a lot of misinformation. There are --  
12 unequivocally, there are digital assets that were  
13 designed specifically for anonymity. They were designed  
14 to circumvent regulators. They were designed to  
15 circumvent governments. Not all digital assets are  
16 created the same. When I look at how an XRP  
17 transaction -- back to our conversation earlier about  
18 funding liquidity between different currencies, every  
19 transaction we enable is through a regulated end point.

20 So what happens is I'll go and talk to  
21 regulators around the world, and the first six or seven  
22 minutes of the meeting, they're leaning in and you can  
23 tell they're ready to pounce. We're want to crush this  
24 guy. He's the bad -- you know, there's crypto and  
25 they're enabling things we don't want to enable. And



0026

1 once you explain to them no, no, no, hold on, there  
2 isn't regulatory uncertainty. Right? One of my little  
3 things I get some humor out of is I hear people in the  
4 crypto space talk about regulatory uncertainty, and I  
5 think what does that mean. More often than not, what  
6 that means is I disagree with the regulatory certainty,  
7 so I'm going to call it regulatory uncertainty.

8 When we look at a transaction through XRP,  
9 it's going through an end point that's doing a KYC  
10 check, back to your comment earlier, know your customer,  
11 it's doing an AML check for money-laundering. It's  
12 doing BSA. The transaction is happening from one  
13 regulated end point to another regulated end point,  
14 regulated sometimes by, you know, the Thai central  
15 government or the U.S. central government. But these  
16 are not transactions where we're trying to solve a use  
17 case around anonymous drug dealing or, you know,  
18 whatever the other use cases may be. And so what I  
19 would say to regulators globally is don't assume because  
20 you were introduced to digital assets through an article  
21 about Silk Road or Alphabay that we should throw the  
22 baby out with the bath water.

23 When I hear people talking about banning  
24 cryptocurrencies, I think whoa, whoa, whoa hold on a  
25 second. They're not all 1,500 are created equal, and

0027

1 certainly there are examples that I think are  
2 inappropriate and governments should intervene, and that  
3 includes with ICOs, but there's also examples where we  
4 can work with the institutions. We can work -- I mean  
5 the thing I've been fond of saying is the blockchain  
6 revolution is not going to happen from outside the  
7 system. It's going to happen from within the system.  
8 By working with the system and adopting these  
9 technologies, we can accelerate the speed, reduce the  
10 cost and make financial services available to customers,  
11 who couldn't access it before, as you mentioned in terms  
12 of the under banked or the unbanked, but also just for  
13 use cases we haven't even thought about.

14 If you accelerate the speed and reduce the  
15 cost, you're going to see lots of interesting use cases  
16 pop up.

17 MALE SPEAKER: So this actually brings us back  
18 to the whole issue that we put on pause on ICOs. We're  
19 talking about cryptocurrencies. We're talking about  
20 ICOs. And it strikes me that, you know, it's not a  
21 black and white issue. If I were to ask you is it good;  
22 is it bad, my guess is that it would be it's a very  
23 strong it depends.



24 MR. GARLINGHOUSE: Well, I might surprise you  
25 a little bit on that. I think it mostly is bad.

0028

1 MALE SPEAKER: Okay.

2 MR. GARLINGHOUSE: I mean there are  
3 exceptions, but to every rule, there's an exception, so  
4 I think -- look, I'm not popular for saying this in the  
5 crypto community, Ripple has often taken a contrarian  
6 viewpoint in working with the banks and working with  
7 governments. I think a lot of the ICOs, and I would say  
8 certainly over half and maybe as many as 90 plus percent  
9 of these ICOs, I don't understand what the real use case  
10 is of the token. And if there's not a real use case,  
11 it's really a securities offering. And if it's a  
12 securities offering, there's not regulatory uncertainty.  
13 It should be regulated as a securities offering.

14 So look, again, I recognize that many people  
15 may disagree with that, but some people forget why  
16 regulations have evolved in the securities issuance.  
17 It's because there was a lot of fraud. There was a lot  
18 of people taking advantage and preying upon investors.  
19 In some ways, what's happening with ICOs is making angel  
20 investing more accessible.

21 Well, angel investing has historically been  
22 hey, someone I know and someone I trust is building a  
23 business, and I want to invest in that. But when I hear  
24 someone in Bangkok buying an ICO for a company in Miami  
25 that is doing who knows what, I think how do you know

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1 that they're not going to take all of that value in  
2 their ICO and go surfing for the next three years?

3 MALE SPEAKER: Well, and I mean, you know if  
4 I -- I, I think there was some really recent numbers  
5 that came out of Bitcoin.com or Bitcoin News that said  
6 that of 900 ICOs over -- since the beginning of 2017, 46  
7 have failed, 46 percent have failed, meaning that either  
8 they failed to raise the money or the companies went  
9 under after they raised the money.

10 MR. GARLINGHOUSE: Or the company had already  
11 gone under and they raised the money anyway.

12 MALE SPEAKER: And they raised the money  
13 anyways and that another 13 percent are near failure,  
14 meaning that they've raised money and then, all of the  
15 sudden, they've closed down their websites, shut off  
16 communications and are not responding to investors  
17 anymore. So we're talking about a 59 percent garbage  
18 rate.

19 So I understand that the great majority of  
20 ICOs are garbage. I think there probably are a lot of  
21 advocates in the community that feel the same way, that

22 there are a number of bad actors. Do you feel that --  
23 does a negative sentiment also apply to the process or  
24 concept of ICOs? Meaning using -- you know, finding a  
25 way to digitize the capital market system.

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1 MR. GARLINGHOUSE: Well, that's a whole  
2 different animal. I mean can blockchain, as a core  
3 technology, help manage and track the issuance and sale  
4 and trading of securities? 100 percent. And there are  
5 interesting companies. I mean where Ripple is focused  
6 on being a payments company, there's other companies  
7 using blockchain to solve a securities problem. I think  
8 one of the most prominent globally is called digital  
9 asset holdings. It has a pilot going on at the  
10 Australian stock exchange to do exactly that. The fact  
11 that it takes often two plus days to settle a securities  
12 transaction, again, back to my you've got to take my  
13 \$10,000 and fly it there, like wow, two days to settle a  
14 securities transaction, that's crazy.

15 So I think yes, blockchain can be used to  
16 solve securities. For blockchain to issue a new kind of  
17 security that somehow is not going to be regulated the  
18 way a securities issuance is regulated, that's where I  
19 start to be very suspect. The other thing I'll just say  
20 very briefly, when I have spoken out about this, some  
21 people say oh, that's a very US centric point-of-view.  
22 You know, I hear that and I think does that mean that  
23 regulators elsewhere in the world don't care about their  
24 consumers? That's just ridiculous.

25 Yes, the U.S. might be more strict and more

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1 stringent in various ways, but I am certain that the  
2 Thai SEC is very concerned about fraudsters who are  
3 trying to take advantage of citizens here in Thailand in  
4 an uneducated way, investing in things they don't really  
5 understand and isn't really giving them a security. So  
6 I think that you're going to see regulators in 2018  
7 continue to be stricter and stricter around ICOs, and I  
8 think that's super appropriate.

9 One last sentence on this, I think what's  
10 holding back the whole blockchain industry are  
11 examples -- I think the ICO industry has been bad for  
12 blockchain. Wow, like that seems like a crazy  
13 statement. If we want to be -- if we want to solve real  
14 problems for real businesses at scale, what's going on  
15 in these other examples, it's just -- it's a sideshow.  
16 The blockchain industry has to grow up and realize  
17 regulators matter. We can't just ignore regulation. We  
18 need to embrace and engage and, in some cases, educate  
19 regulators. I mean I think your original question was

20 how would I educate regulators, but I'll leave my rant  
21 at that.

22 MALE SPEAKER: Okay. No, I mean and just to  
23 throw in one last word on really just trying to almost  
24 legitimize -- not legitimize but really move ICOs more  
25 towards a paradigm where they become a means of access

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1 to the capital markets, I was just reading an article,  
2 just yesterday that the city of Berkeley in California  
3 is looking at an ICO as a means to issue municipal  
4 bonds. So they're really -- not so much because they're  
5 trying to create a new type of security, but they're  
6 looking for a way to cut through all of the process  
7 and --

8 MR. GARLINGHOUSE: Yeah.

9 MALE SPEAKER: -- all of the inefficiencies  
10 that come with municipal bond issuance.

11 MR. GARLINGHOUSE: And look, there are plenty  
12 of examples where you have regulation kind of run amuck,  
13 like too much red tape, but again, we can't forget that  
14 there's a reason why those exist, and they exist to  
15 protect investors and to protect companies. I think  
16 another thing people forget, if you are an entrepreneur  
17 thinking about issuing an ICO, save some of the proceeds  
18 for your legal bills because there are lawyers who are  
19 going to prey upon the uncertainty of what -- is that a  
20 security, and they're going to issue class action  
21 lawsuits. And if someone loses money on the token you  
22 issued, assume that lawyers are going to come, and this  
23 is has already happened in a couple of examples where  
24 the entrepreneurs behind a token issuance are personally  
25 being taken to court and sued for damages.

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1 MALE SPEAKER: Good. (Laughter)

2 MR. GARLINGHOUSE: That's not good.

3 MALE SPEAKER: Not good for you guys, but  
4 it's --

5 MR. GARLINGHOUSE: It's useful to understand.

6 MALE SPEAKER: -- it's a good -- it's good to  
7 get your opinion on that. So as we sort of approach the  
8 finish line, I want to say this last question to really  
9 step away from Ripple and from FinTech and really talk a  
10 little bit -- again, a little bit about your past, for  
11 those of us that have followed the Marissa Mayer era of  
12 Yahoo, where I know that you were a senior executive in  
13 2006, we're very familiar -- those of us who are very  
14 familiar with the Peanut Butter Manifesto that you  
15 penned in your time at Yahoo, can you share with us,  
16 especially those that aren't familiar with what I just  
17 spouted out, what the Peanut Butter Manifesto is and are

18 there lessons that banks, startups, corporations here  
19 can draw from that?

20 MR. GARLINGHOUSE: Yeah. So this is awhile  
21 ago, you're dating me a little bit. It's 2006. I was a  
22 senior vice president at Yahoo and I was frustrated by  
23 what was going on at Yahoo, and I felt like we'd kind of  
24 lost our way from the glory days of Yahoo, early on.  
25 And I described our allocation of investment inside the  
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1 company as spreading peanut butter across many different  
2 things. We were partly a search company and partly an  
3 email company and partly a sports company and partly a  
4 fill in the blank. And my point -- and I'd say this is  
5 true for any company of any size, you have to know what  
6 problem you're trying to solve, and you need to be laser  
7 focused on that problem. I think Yahoo kind of lost its  
8 way with this peanut butter problem of trying to be all  
9 things to all people.

10 I think there are important lessons there to  
11 be applied in the blockchain space. When I got to  
12 Ripple, we were pursuing three different verticals:  
13 digital identity, you talked about, cross-border  
14 payments, and one other one I'll leave aside. And one  
15 of the first things I said is, "You guys, we are a small  
16 startup. We can only do so many things. We're going to  
17 focus on one." Now, we had our own smart contract  
18 technology back then called Codius (phonetic). This  
19 predates Ethereum. Now, you could look back and say  
20 Brad, you really screwed up. You should've focused on  
21 that smart contracts thing. (Laughter) Maybe that's  
22 true. My point really is I think having focus, having  
23 clarity of what problem you're solving is incredibly  
24 important. And I think in the blockchain space, that's  
25 as important as any others.

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1 I have been not shy about pointing out that  
2 the Hyper Ledger web -- the Hyper Ledger Wikipedia page  
3 talks about over 140 different use cases of Hyper  
4 Ledger's technology, 140 different uses cases, that is  
5 peanut butter times -- I don't know, I need some other  
6 metaphor. I think you have to say look, we're going to  
7 focus on a few things; for Ripple, that's payments. And  
8 I compare that to when Amazon started, they were a books  
9 company. I mean again, I'm dating myself, but in 1997,  
10 Amazon was not called Amazon. It was called Amazon  
11 Books. They competed as a bookseller. They got very  
12 good at selling books, and then they entered another  
13 vertical and another vertical and another vertical and  
14 they grew and grew and grew.

15 I think about what Ripple is doing with

16 blockchain is our first vertical is payments. If we  
17 want permission to work on another vertical, we have to  
18 nail it for our customers in payments and solve a really  
19 big problem, and if we do that well, we're going to be  
20 in a great spot.

21 MALE SPEAKER: Awesome. Brad, I think we're  
22 just about out of time. It looks like we might have  
23 time for one question. There seems to be a lot of  
24 questions that are bubbling out here. I can't read it,  
25 is there -- is there (crosstalk) --

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1 MR. GARLINGHOUSE: I get it.

2 MALE SPEAKER: -- is there anything here that  
3 you might want to try and tackle?

4 MR. GARLINGHOUSE: Well, Ripple is not public  
5 blockchain; how does Ripple have high security? Ripple  
6 is a -- the XRP -- well, I guess that's true. Ripple is  
7 not public blockchain, correct. Ripple is a software  
8 company selling solutions to banks. XRP is a -- is a  
9 public blockchain.

10 Ripple's technology and the cryptology that we  
11 use, you know, we've never had any intrusions. We've  
12 had, I think, over 30 million successful ledger closes,  
13 so we haven't had any issues. We take security  
14 extremely seriously. We happen to be fortunate to have  
15 some of the -- literally, the planet's leading  
16 cryptographers that work at Ripple, a guy named David  
17 Schwartz, who's extremely well-known in this regard. So  
18 we have high security because we invest in it.

19 MALE SPEAKER: Can we take the next one?

20 MR. GARLINGHOUSE: Yeah.

21 MALE SPEAKER: We have a few minutes. What's  
22 the next one up?

23 MR. GARLINGHOUSE: Aside from financial and  
24 cryptocurrency, what business sector will first adopt  
25 blockchain technology? You know, I'll take a little bit

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1 of a flier on this one. We talk about blockchain in the  
2 financial system because the financial system has lots  
3 of intermediaries, lots of central counterparties.  
4 Well, if you extend your thinking a little bit around  
5 this, what are some other central counterparties? Well,  
6 one that you don't think much about is Dropbox. Dropbox  
7 is a central counterparty managing your storage. AWS  
8 might be a more enterprise version of the same. How  
9 could you disrupt Dropbox as a central counterparty for  
10 storage? There is an ICO which, you know, this is the  
11 exception to the rule, but there is a company called  
12 File Coin trying to do exactly that. I personally have  
13 no idea how it's going or if it'll be successful, but I

14 think there will definitely be other business sectors  
15 touched.

16 I think like the internet, it's hard to  
17 predict all the different ways that blockchain is going  
18 to be used to change businesses. But anyone who is a  
19 central counterparty or intermediary, I think they  
20 should assume that blockchain technologies will touch  
21 them in one way or another. It doesn't mean they go  
22 away, it just means they're going to be impacted.

23 MALE SPEAKER: Interesting. I hadn't thought  
24 of Dropbox as a -- I saw them more as a disruptor, but a  
25 disruptor being disrupted, that's an interesting

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1 concept.

2 MR. GARLINGHOUSE: Maybe, I -- yeah, hard to  
3 predict.

4 MALE SPEAKER: Can we get one last quick  
5 question? I think we could probably squeeze in one more  
6 before time runs out.

7 MR. GARLINGHOUSE: I think this one's for you  
8 (laughter).

9 MALE SPEAKER: What is the direction of SCB  
10 and DB, are cryptocurrencies regarding BOT just  
11 announced regulation not accepted in Thailand. I'm  
12 going to say no comment (laughter) until I can talk to  
13 my boss. Okay. And I think we're going to leave it at  
14 that. So I'm going to say on behalf of SCB and DB, we  
15 are thrilled to have you with us on the stage. We are  
16 thrilled to be working with Ripple to not only  
17 revolutionize the Thai financial services industry but  
18 hopefully all industries that could be touched by  
19 Blockchain, so thank you very much.

20 MR. GARLINGHOUSE: Thank you, Paul. Thank you  
21 everyone. (Applause)

22 MALE SPEAKER: Okay. Thank you very much.

23 MR. GARLINGHOUSE: Thank you.

24 MALE SPEAKER: Thank you very much.

25 (End of video.)

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1 TRANSCRIBER'S CERTIFICATE

2

3 I, Wendy Smith, hereby certify that the foregoing  
4 transcript consisting of 38 pages is a complete, true  
5 and accurate transcription of all matters contained on  
6 the recorded proceedings, Brad Garlinghouse CEO from  
7 Ripple, Digital Ventures Interview - YouTube, in the  
8 matter of RIPPLE, File Number NY-09875.

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Interview with Brad Garlinghouse, 3/12/2018, via Bloomberg

<https://www.youtube.com/watch?v=8s11kNLXXAU>



Ripple CEO Brad Garlinghouse Discusses the Future of XRP

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4 ) File No. NY-09875-A  
5 RIPPLE LABS, INC. )  
6  
7 SUBJECT: Ripple CEO Brad Garlinghouse Discusses the  
8 Future of XRP  
9 LINK: <https://www.youtube.com/watch?v=8s11kNLXXAU>  
10 POSTED BY: Bloomberg Markets and Finance  
11 DATE POSTED: 03/12/2018  
12 PAGES: 1 through 8  
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16 VIDEO TRANSCRIPTION  
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1 P R O C E E D I N G S  
2 Ripple CEO Brad Garlinghouse Discusses the Future of XRP  
3 MS. AMIN: Ripple CEO Brad Garlinghouse, he  
4 joins us right now.  
5 And you know, David, some say Ripple could be  
6 the next Bitcoin. What do you think, Brad? Is that a  
7 compliment that Ripple could be the next Bitcoin?  
8 MR. GARLINGHOUSE: Well, I think if we're  
9 solving a real problem, and it's a at scale, then I  
10 think it's a compliment. I think the most important  
11 thing that is going on in crypto is understanding what  
12 is real and what is just hype.  
13 Some, I think, may look back on Bitcoin and  
14 find that it was the Napster of digital assets. What I  
15 mean by that is, Napster was the first to digitize music  
16 and demonstrate, hey, if you digitize music, you can do  
17 a lot of cool things with that.  
18 But ultimately, they were circumventing  
19 trademark laws. They were circumventing royalty  
20 payments. And the government stepped in, and Napster  
21 was not successful. But Spotify, iTunes, Pandora --  
22 they were very successful.  
23 I think what you'll find is that maybe the

24 next generation of digital assets ends up solving some  
25 of the original problems that Bitcoin set out to solve.

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1 MS. AMIN: So RippleNet is trying to take on  
2 SWIFT. What's been the traction like? Who's come on  
3 board?

4 MR. GARLINGHOUSE: Well, it's interesting as  
5 you step back and look at this. If you and I decided  
6 we're going to send \$10,000 to California today, the  
7 fastest way for us to do it would be to drive to the  
8 airport and fly it there. That's a crazy thing to thing  
9 about when you're in the age of the Internet, and, you  
10 know, we're used to information on demand.

11 When we think about the -- the customers that  
12 have come on board, it's because we're solving that real  
13 problem. We're changing the nature of a payment taking  
14 days to settle to California to seconds.

15 So we now have well over 100 customers ranging  
16 from some of the biggest banks in the world to payment  
17 providers to the Western Unions and MoneyGrams, LianLian  
18 Pay out of China, (crosstalk) --

19 MS. AMIN: How many banks?

20 MR. GARLINGHOUSE: It's -- it's over 100. I  
21 actually don't know the exact number now. We -- last  
22 time we announced it publicly, we said over 100. We'll  
23 probably announce the next one when we get to over 200.  
24 We're signing up more than a bank a week now.

25 MS. AMIN: The thing is, it's not the number

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1 of banks. It's the volume --

2 MR. GARLINGHOUSE: For sure.

3 MS. AMIN: -- out there. What kind of volume  
4 are you looking at?

5 MR. GARLINGHOUSE: Well, we've had -- one that  
6 we can talk publicly about is, we have a -- one corridor  
7 run by SEB, which is a -- one of the first or second  
8 largest bank in Sweden has done over a billion USD  
9 equivalent through one corridor.

10 So while out of the global macro scale, we're  
11 still just getting started. You know? I think we're on  
12 mile one of a marathon.

13 But we've crossed that starting line. This is  
14 real activity, in-production systems, where customers  
15 are really benefiting from that. We clearly have a long  
16 way to go, and the overall maturity of the digital asset  
17 market, I think, has a long way to go.

18 But if we keep going back to, let's focus on a  
19 real problem and solve a real problem for real  
20 customers, I'm really optimistic.

21 MS. AMIN: You have several products. We

22 talked about the system, RippleNet. You also have a  
23 digital token, which is the XRP. How is the XRP doing?  
24 Because we saw it surge 100 and -- 1,300 percent.

25 MR. GARLINGHOUSE: Right. So XRP actually was  
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1 the best performing digital asset in 2017. It was up, I  
2 think, something, like, 25,000 percent. The excitement  
3 around digital assets is because, I think, you're  
4 solving a real problem.

5 And I think, one of the things you saw happen,  
6 particularly last December, is there's understandably  
7 concern about regulation and what does that mean for  
8 digital assets. From the get-go, Ripple has worked with  
9 regulators. And we have worked with regulated  
10 institutions like banks where there isn't regulatory  
11 uncertainty.

12 And so we have found that part of the reason  
13 why XRP has performed well is because people realize,  
14 hey, wait a minute. You know, and back to your  
15 question, is -- is XRP the next Bitcoin, if we work with  
16 the system to solve this problem, and we can solve that  
17 problem at scale, a problem measured in the trillions of  
18 dollars, there's a lot of opportunity to create value in  
19 XRP.

20 MS. AMIN: But how can there be clarity on  
21 regulation when different -- different countries are  
22 adopting different strategies when it comes to  
23 regulation? And the other thing, as well as  
24 volatility. I mean, why use a cryptocurrency when it's  
25 so volatile right now?

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1 MR. GARLINGHOUSE: Yeah. So you -- you --  
2 look, it's a really important question. I think there's  
3 a lot of misinformation out there. I've kind of  
4 jokingly suggested that when people talk about  
5 regulatory uncertainty, it's often people -- because  
6 they don't like the regulation -- they're not actually  
7 regulatory uncertainty.

8 If you think about the -- a XRP transaction  
9 from one regulated financial institution -- a bank or a  
10 payment provider -- they're doing a -- what's called a  
11 KYC check, which references know your customer. This is  
12 a global regulatory framework around KYC. That's at the  
13 -- both end points of an XRP transaction -- into and out  
14 of.

15 So I think there -- the regulatory certainty,  
16 actually, is much better than people realize. It's just  
17 educating banks, regulators, about how it actually  
18 works.

19 Now the volatility point is also a good one.

20 You know, XRP has clearly been volatile as all digital  
21 assets have been. The nature of how an XRP transaction  
22 works, though, it's 1,000 times faster than Bitcoin. So  
23 the volatility risk you're taking around XRP is only for  
24 three seconds.

25 So the volatility risk ends up being very,

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1 very, very, very small because it's so, so fast.

2 MS. AMIN: For XRP -- you've been looking at  
3 banks -- if you take a longer term period, who else are  
4 you talking to for XRP? What would make sense?

5 MR. GARLINGHOUSE: Well, I think any payment  
6 provider. You know, we're really trying to solve that  
7 cross-border payment transaction.

8 So if you're going -- you know, we, you know,  
9 talked earlier about the U.S. dollar to the Mexican  
10 peso. It's one of the corridors we have live with XRP  
11 today. You can hold a U.S. dollar, sell that dollar,  
12 and buy XRP. In three seconds you can move that XRP to  
13 Mexico, and then sell the XRP and buy the Mexico peso.

14 Whether you're a bank, a payment provider --  
15 eventually even corporates -- can take advantage of a  
16 dramatic decrease in costs and a dramatic increase in  
17 speed and how those transactions work.

18 MS. AMIN: All right, Brad, we have to leave  
19 it there.

20 The first mile in a marathon. Brad  
21 Garlinghouse, CEO of Ripple.

22 (End of video.)

23 \* \* \* \* \*

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1 TRANSCRIBER'S CERTIFICATE

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3 I, Anne Harle, hereby certify that the foregoing  
4 transcript is a complete, true and accurate  
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6 the recorded proceedings in the Matter of RIPPLE LABS,  
7 INC. 405841-NY, Ripple CEO Brad Garlinghouse Discusses  
8 the Future of XRP

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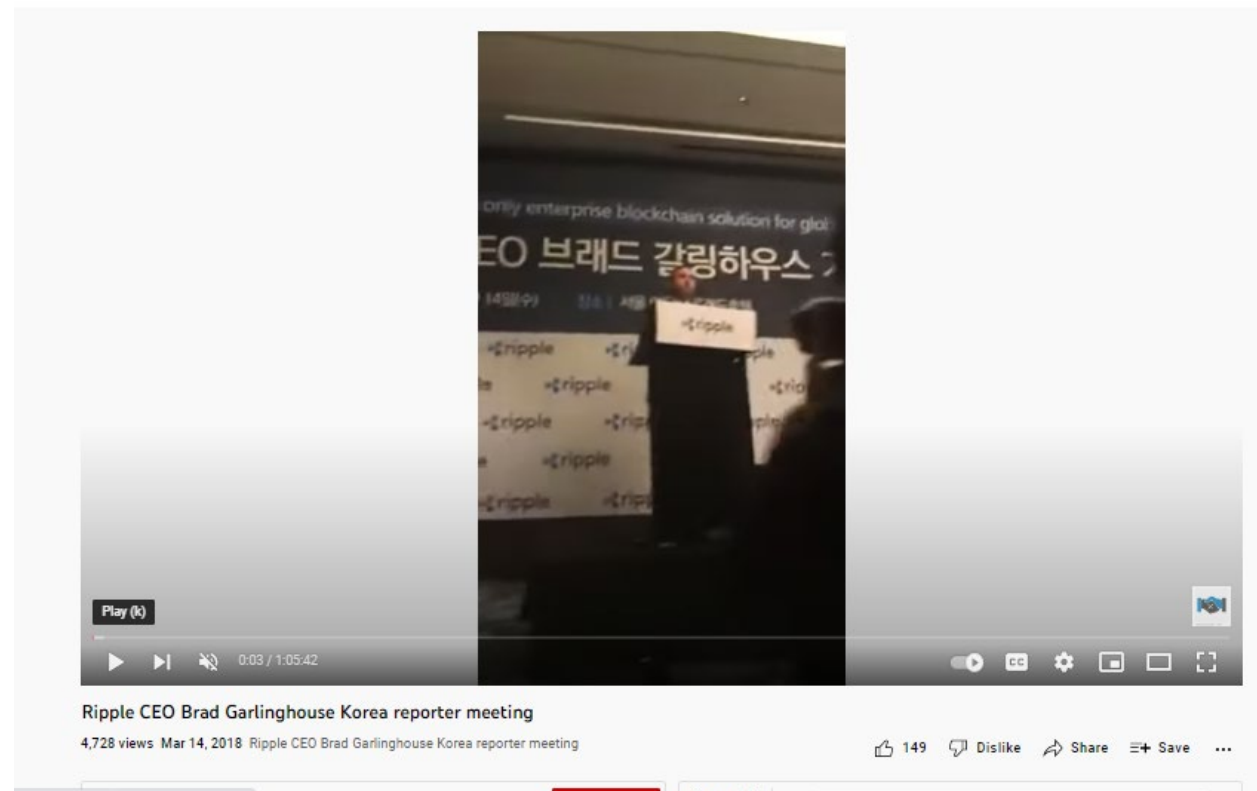
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Interview with Brad Garlinghouse, 3/14/2018, via Ripple Press Conference in South Korea

<https://www.youtube.com/watch?v=JOAuXEYu9Pg>





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1 UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
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3 In the Matter of: )  
4 ) File No. NY-09875-A  
5 RIPPLE )  
6  
7 SUBJECT: Ripple CEO Brad Garlinghouse Korea  
8 Reporter Meeting - YouTube  
9 PAGES: 1 through 29

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1 P R O C E E D I N G S  
2 Ripple CEO Brad Garlinghouse Korea Reporter Meeting -  
3 YouTube  
4 MR. GARLINGHOUSE: -- traditional financial  
5 institutions today solve the cross-border payments  
6 problem by prefunding accounts. They move money by  
7 sending dollars or moving won in kind of this prefunded,  
8 so this existing pools of liquidity. There's over \$10  
9 trillion of accounts prefunded around the world. This  
10 is capital that is dormant and could be used more  
11 efficiently.  
12 FEMALE SPEAKER: (Speaking in Korean)  
13 MR. GARLINGHOUSE: This legacy system is not  
14 just slow. It's also shockingly unreliable. The error  
15 rate today in cross-border payments is around 6 percent.  
16 Consider this, if 6 out of every 100 Google searches  
17 didn't work, think about how we would all react to that.  
18 This is the underlying infrastructure we rely on today  
19 for the global financial infrastructure with a percent  
20 error rate.  
21 FEMALE SPEAKER: (Speaking in Korean)  
22 MR. GARLINGHOUSE: -- the Bitcoin community,  
23 the early crypto community came from a very anarchistic

24 antibanking, antigovernment point-of-view. As I said  
25 earlier, the revolution around blockchain is going to be  
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1 delivered from working with the system, not from outside  
2 the system.

3 FEMALE SPEAKER: (Speaking in Korean)

4 MR. GARLINGHOUSE: For some of you who are as  
5 old as I am, you may remember companies like Napster. I  
6 think there's a chance that we may find that Bitcoin is  
7 going to be the Napster of digital assets. Napster  
8 demonstrated what digitized music could do, but  
9 companies like Spotify and Pandora and iTunes  
10 capitalized on that opportunity. Napster was not  
11 working with the system. They were ignoring laws and  
12 ignoring regulations, and they didn't succeed. Ripple  
13 believes by working with the system, we can have a  
14 higher level of success, not just for banks, but also  
15 for all of the bank's customers.

16 FEMALE SPEAKER: (Speaking in Korean)

17 MR. GARLINGHOUSE: As evidence of the work  
18 Ripple has been doing with regulators, policy makers and  
19 governments around the world, we're incredibly proud to  
20 say that the Bank of England, the Central Bank of  
21 England is a customer of Ripple's. We're proud to be  
22 able to say that the Saudi Arabian Monetary Authority,  
23 the Central Bank of Saudi Arabia, is a customer of  
24 Ripple's. We're going to continue to work with central  
25 banks, with policy makers globally to make sure there is  
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1 thoughtful regulation as this entire industry matures.

2 FEMALE SPEAKER: (Speaking in Korean)

3 MR. GARLINGHOUSE: I'm going to conclude my  
4 introductory remarks by explaining a couple of things  
5 specifically on how Ripple works and how we use our  
6 technology and how we use the digital asset XRP to serve  
7 customers, to serve a banking problem. The two -- I'll  
8 pause, sorry.

9 FEMALE SPEAKER: (Speaking in Korean)

10 MR. GARLINGHOUSE: So first, I'll explain  
11 there is Ripple the company, and Ripple sells  
12 technologies. Ripple sells solutions to banks and  
13 financial institutions around the world. And there is  
14 XRP, a digital asset that we use as part of that system,  
15 but we do not control XRP.

16 FEMALE SPEAKER: (Speaking in Korean)

17 MR. GARLINGHOUSE: The two products that  
18 Ripple has been in market with the longest are called X  
19 Current and X Rapid. X Current is a solution that  
20 allows banks from a point-to-point basis to settle  
21 transactions in real time. Instead of transactions that

22 today go through a series of hops in the correspondent  
23 banking system, that can take days to complete and the  
24 cost is significant, we're able to complete a  
25 transaction in seconds between two regulated financial

0005

1 institutions.

2 FEMALE SPEAKER: (Speaking in Korean)

3 MR. GARLINGHOUSE: To be clear, X Current is  
4 allowing banks who are working together from a  
5 fiat-to-fiat, from dollar to won or won to the  
6 Philippine peso. It isn't using digital assets. It  
7 isn't using XRP to solve that banking problem.

8 FEMALE SPEAKER: (Speaking in Korean)

9 MR. GARLINGHOUSE: X Rapid is our product that  
10 allows banks who may not already have an existing  
11 relationship that prefunded accounts between two banks  
12 with existing fiat. X Rapid is a product that uses XRP  
13 to fund liquidity. I'll explain to you how that works.

14 FEMALE SPEAKER: (Speaking in Korean)

15 MR. GARLINGHOUSE: So by using X Rapid, you  
16 can be holding a Korean won as a financial institution,  
17 a regulated financial institution, to be holding Korean  
18 won, sell that won and buy XRP. That takes about a  
19 second. You then can move the XRP from a Korean digital  
20 asset exchange to, for example, a Filipino digital asset  
21 exchange. You can then sell the XRP and buy Philippine  
22 pesos. That entire transaction, that today would take  
23 days and would require prefunded accounts, can be  
24 completed in less than 10 seconds.

25 FEMALE SPEAKER: (Speaking in Korean)

0006

1 MR. GARLINGHOUSE: By enabling that real time  
2 liquidity through X Rapid, you can transform the need  
3 for 10s of trillions of dollars that has been prefunded  
4 into these accounts around the world. This is how we  
5 can truly revolutionize global commerce and accelerate  
6 and reduce the cost of how global commerce is operating  
7 today.

8 FEMALE SPEAKER: (Speaking in Korean)

9 MR. GARLINGHOUSE: I said earlier that this is  
10 certainly the beginning of a marathon. I'm incredibly  
11 pleased that we've passed the starting line, but we have  
12 many miles to go. We've signed up over 100 announced  
13 customers with X Current. With X Rapid, we've only  
14 productized the product in Q3 of last year, and we've  
15 already announced customers like Western Union and Money  
16 Gram and several others that are already using X Rapid  
17 to deliver liquidity into Mexico.

18 FEMALE SPEAKER: (Speaking in Korean)

19 MR. GARLINGHOUSE: So hopefully with those

20 introductory comments, you have a better understanding  
21 of our view of how blockchain and crypto is evolving,  
22 and with that, I will turn it over to Victor to answer  
23 some questions.

24 FEMALE SPEAKER: (Speaking in Korean)

25 MALE SPEAKER: (Speaking in Korean)

0007

1 FEMALE SPEAKER: The first question regards  
2 the fluctuation in the value that you've seen since the  
3 Korean government introduced its regulation. The value  
4 has been fluctuating not only in Korea, but also  
5 globally. What are your thoughts regarding the  
6 regulations that were introduced by the Korean  
7 Government?

8 MR. GARLINGHOUSE: So I think the volatility  
9 that we're seeing globally and around digital assets and  
10 with XRP as well is a sign of an adolescent market  
11 that's grown significantly in a short amount of time,  
12 but I think also a reflection of it's in the earliest  
13 stages of its growth.

14 FEMALE SPEAKER: (Speaking in Korean)

15 MR. GARLINGHOUSE: There's no doubt in my mind  
16 that we continue to need regulation to make sure that  
17 consumers are protected, to make sure that businesses  
18 are protected. I was a very early advocate, six, nine  
19 months ago, talking about some of the dangers of ICOs,  
20 so I continue to believe that many ICOs, there are  
21 frauds occurring and I've been an advocate of having  
22 thoughtful regulation around things like ICOs to help  
23 the industry mature.

24 FEMALE SPEAKER: (Speaking in Korean)

25 MALE SPEAKER: (Speaking in Korean)

0008

1 FEMALE SPEAKER: (Speaking in Korean) I have  
2 a question regarding public blockchains versus private  
3 blockchains. Do you also consider public block chains  
4 to be anarchistic empty systems sort of in approach, and  
5 what are your views about private blockchains?

6 MR. GARLINGHOUSE: So I don't think there is  
7 one size fits all, and certainly, the XRP ledger is a  
8 public blockchain. Ripple uses that XRP ledger to work  
9 with regulated institutions at both end points. I  
10 think -- well, I'll pause.

11 FEMALE SPEAKER: (Speaking in Korean)

12 MR. GARLINGHOUSE: I think the key difference  
13 between a public blockchain and private blockchains  
14 really are what problem we're solving for customers.  
15 Some of Ripple's earliest customers two or three years  
16 ago, we used a public blockchain to solve the payments  
17 problem. Banks very quickly realized wait, all of my

18 transactions are being written to a public blockchain  
19 that anyone can see. Banks are not excited about that.  
20 There's many industries that aren't excited about that.  
21 So I think there -- for how Ripple works, we think about  
22 that intersection of private blockchains intersecting  
23 with public blockchains to solve a problem for the  
24 customer, but I don't think there's going to be one size  
25 fits all.

0009

1 FEMALE SPEAKER: (Speaking in Korean)

2 MR. GARLINGHOUSE: One more thought on this, I  
3 think some of the early crypto community thought there  
4 would be one ledger to rule them all, and when I say  
5 ledger, I mean blockchain, one blockchain to rule them  
6 all. And the thought was that was the Bitcoin  
7 blockchain. When Ripple thinks about this, we think  
8 about the interoperability between many ledgers and many  
9 blockchains and enabling a transaction to start on a  
10 digital wallet like Cacao and ending at Citibank and  
11 allowing that whole transaction to happen seamlessly  
12 across potentially multiple blockchains but to settle in  
13 seconds.

14 FEMALE SPEAKER: (Speaking in Korean)

15 MALE SPEAKER: (Speaking in Korean)

16 FEMALE SPEAKER: (Speaking in Korean)

17 MR. GARLINGHOUSE: I know Coin Base  
18 (laughter). I think I know what the question is. It  
19 doesn't require translation.

20 FEMALE SPEAKER: So the question you've  
21 already received several times --

22 MR. GARLINGHOUSE: Yes.

23 FEMALE SPEAKER: -- is the Coin Base a listed  
24 company?

25 MR. GARLINGHOUSE: Correct. So today, XRP is

0010

1 listed I think in over 60 exchanges around the world.  
2 If you think about what I was describing and how X Rapid  
3 works, the liquidity between XRP and any fiat currency  
4 is very important to us. The efficiency in that market  
5 is very, very important to us. I'll pause for a moment.

6 FEMALE SPEAKER: (Speaking in Korean)

7 MR. GARLINGHOUSE: So we certainly prioritize  
8 working with other digital asset exchanges around the  
9 world. We would like to see in order to solve that  
10 bank, that financial institution problem, in order to  
11 solve that problem, we want to see more XRP liquidity.  
12 So I don't have any announcement about Coin Base  
13 specifically. We only announce partnerships, we only  
14 announce the companies we work with when both parties  
15 are ready to make those announcements. And so we will

16 continue to invest in lots of exchanges around the world  
17 to make sure there's great liquidity between XRP and  
18 fiat.

19 FEMALE SPEAKER: (Speaking in Korean)

20 MALE SPEAKER: (Speaking in Korean)

21 FEMALE SPEAKER: (Speaking in Korean) This is  
22 a question regarding X Rapid. So it seems, according to  
23 your explanation, X Rapid would use XRPs as a part of  
24 the transaction. Do you think that the existing issue  
25 of 100 billion XRPs will be enough to cover once the X

0011

1 Rapid's service scales to a global full scale or would  
2 there be a shortage?

3 MR. GARLINGHOUSE: Well, so the -- when XRP  
4 was created, this actually was created before Ripple  
5 existed. The creators of XRP decided there would be 100  
6 billion units because they saw it as a -- you know,  
7 rather than having a smaller number with a very high  
8 price, they saw it as something they wanted to be a --  
9 effectively, a global reserve currency. I think the  
10 opportunity -- well, there never will be more than 100  
11 billion XRP. All the XRP that will ever be created have  
12 been created. I'll pause.

13 FEMALE SPEAKER: (Speaking in Korean)

14 MR. GARLINGHOUSE: When I think about solving  
15 the X Rapid problem, I think less about the number of  
16 units, and I think more about the velocity of how  
17 quickly those units are transacting between various  
18 digital asset exchanges. So far, we're seeing that, you  
19 know, we've had days where billions of dollars of XRP  
20 have been traded without any problem, without any  
21 scalability problems. Certainly one of the advantages  
22 of XRP has been its effective ability to scale very,  
23 very efficiently compared to other digital assets.

24 FEMALE SPEAKER: (Speaking in Korean)

25 MALE SPEAKER: (Speaking in Korean)

0012

1 FEMALE SPEAKER: (Speaking in Korean) I  
2 recently saw a media interview that was done by Ripple  
3 (inaudible) and it mentioned that Ripple has plans of  
4 investing in startups or other venture companies that  
5 have the technology, I'm wondering what kind of  
6 investment plans does Ripple have, and also since you're  
7 visiting Korea, do you also have in your itinerary or  
8 schedule here meetings with financial institutions or  
9 other companies in -- as a part of a business  
10 partnership or in pursuit thereof?

11 MR. GARLINGHOUSE: I'll answer the second  
12 question first. Any time I'm visiting different  
13 countries around the world, I absolutely prioritize

14 talking to customers, both current as well as potential  
15 future customers. I also prioritize talking to policy  
16 makers and regulators to make sure that there's good  
17 communication about what Ripple is and how XRP works.  
18 I'll pause there.

19 FEMALE SPEAKER: (Speaking in Korean)

20 MR. GARLINGHOUSE: The first part of the  
21 question was about our interest in investing in  
22 companies that are using the open source technology of  
23 XRP Ledger for other use cases. Ripple is focused on  
24 leveraging the XRP ledger to solve a payments problem.  
25 We want to see other companies using the XRP ledger to

0013

1 solve other kinds of problems, so we have and we will  
2 continue to partner and invest in companies that are  
3 doing things like that, but we haven't announced a  
4 formal program around that at this time.

5 FEMALE SPEAKER: (Speaking in Korean)

6 MALE SPEAKER: (Speaking in Korean)

7 FEMALE SPEAKER: (Speaking in Korean)

8 FEMALE SPEAKER: Ripple has been mentioned or  
9 talked about kind of a lot since last year, and my  
10 assumption would be that other companies could use other  
11 blockchain technology to create a similar international  
12 (inaudible) or international payment solution, and  
13 hence, there will be a lower entry barrier to this  
14 blockchain-based remittance service market. Do you  
15 agree? And if so, how does Ripple plan to raise that  
16 entry barrier or block other companies from following  
17 them?

18 MR. GARLINGHOUSE: It's a great question, and  
19 I think as you think about how payment networks work,  
20 they work by the value of the network. The joke I make  
21 is that, you know, to the first person to buy a  
22 telephone, there's no one else to speak to. The more  
23 people that use the telephone, the more value there is  
24 in the telephone. That exact same comparison applies to  
25 the network effects associated with what Ripple is doing

0014

1 in our technology around payments. The more companies  
2 that participate, the more value there is to being a  
3 part of a network. That creates a competitive boat for  
4 the work we're doing.

5 FEMALE SPEAKER: (Speaking in Korean)

6 MALE SPEAKER: (Speaking in Korean)

7 FEMALE SPEAKER: (Speaking in Korean)

8 FEMALE SPEAKER: You've mentioned that  
9 financial institutions can join the Ripple Network or  
10 Ripple Net without having to use XRP. Does that imply  
11 that the expansion or growth of Ripple Net is not



12 correlated to the value of the price of XRP? And what  
13 is your outlook regarding the price of XRP?

14 MR. GARLINGHOUSE: Well, on the second  
15 question, I don't think -- I don't forecast the price of  
16 XRP. I -- what I point out is that Ripple is very, very  
17 interested in the success and the health of the XRP  
18 ecosystem and will continue to invest in the XRP  
19 ecosystem. I'll pause.

20 FEMALE SPEAKER: (Speaking in Korean)

21 MR. GARLINGHOUSE: On the first part of the  
22 question, I actually think they're very correlated  
23 because what happens is we start working with a bank or  
24 a payment provider to solve a fiat-to-fiat problem, and  
25 then we realize, hey, they would like to be able to

0015

1 settle to, let's say, a Philippine peso, and they don't  
2 have a prefunded account there. And we can say to that  
3 bank, you can use X Rapid in that circumstance. You can  
4 think about it as many software businesses were  
5 cross-selling different products to the same customer to  
6 solve a global payments problem.

7 FEMALE SPEAKER: (Speaking in Korean)

8 MR. GARLINGHOUSE: One last thought of this  
9 and the price of XRP, if you will. I'll share with you  
10 something I tell the team internally at Ripple. I spend  
11 very little time thinking about the price of XRP over  
12 three days or three weeks or even three months. I think  
13 about if we are successful in building out the product  
14 of X Current and expanding the number of users around X  
15 Rapid, the price of XRP will take care of itself over a  
16 three-to-five-year period. We're building something  
17 that I think can transform a multitrillion dollar  
18 problem around how liquidity is managed. If we are  
19 successful in doing that, I feel very optimistic about  
20 the future.

21 FEMALE SPEAKER: (Speaking in Korean)

22 MALE SPEAKER: (Speaking in Korean)

23 MALE SPEAKER: (Speaking in Korean)

24 FEMALE SPEAKER: Even though you mentioned the  
25 network effect and the network value as one of the first

0016

1 movers, there are other competing consortiums of  
2 financial institutions that are based on blockchains,  
3 for example, RF3, and there are other competing  
4 platforms out there. So specifically, how does ripple  
5 compete against these other platforms?

6 MR. GARLINGHOUSE: Well, today, Ripple is the  
7 only company that has real customers in production,  
8 including real money. There have been a bunch of  
9 science experiments, but a science experiment is not a



10 business model. So I think we have been successful, and  
11 we are way ahead of our competition because we've been  
12 focused on a clear problem for a clear customer, and  
13 it's working. It's solving that problem. And that's  
14 helping the bank, and it's ultimately helping the bank's  
15 customers, whether that be consumers or businesses.

16 FEMALE SPEAKER: (Speaking in Korean)

17 MALE SPEAKER: (Speaking in Korean)

18 MALE SPEAKER: (Speaking in Korean)

19 FEMALE SPEAKER: (Speaking in Korean)

20 MALE SPEAKER: (Speaking in Korean)

21 FEMALE SPEAKER: There are some who say that  
22 it's difficult to view Ripple as a blockchain based  
23 service or a blockchain based currencies because Ripple  
24 is within the system. It works as a part of the wider  
25 bank system. What are your views regarding that

0017

1 comment?

2 MR. GARLINGHOUSE: I think that blockchain has  
3 come to mean many things to many people, and in the most  
4 traditional sense, the XRP ledger is a classic  
5 blockchain. Blockchain technologies can solve lots of  
6 problems around intermediaries, central counterparties,  
7 but as I described earlier, banks don't want all  
8 transactions written to a public blockchain. They want  
9 the privacy of their transactions. So I think there's  
10 no doubt that the technology that Ripple is deploying is  
11 block-chain based technology based on the cryptography  
12 we're using, based upon the XRP Ledger that is part of  
13 that system, as I described with X Rapid.

14 FEMALE SPEAKER: (Speaking in Korean)

15 MALE SPEAKER: (Speaking in Korean)

16 MALE SPEAKER: (Speaking in Korean)

17 FEMALE SPEAKER: This is a question more from  
18 the investors coming to you, people who invest in  
19 cryptocurrency. There is a phrase in Korea that's used  
20 among cryptocurrency investors that they were tricked  
21 again by Ripple, which is analyzed various ways, but we  
22 mainly it's because of the volatility in the value of  
23 Ripple. We do understand that it was created for the  
24 purposes of international remittance, and that's why the  
25 value is relatively low with high liquidity, but maybe

0018

1 the high liquidity is one of the causes why recently,  
2 especially, not before, but recently, the value or the  
3 price has gone through quite a lot of volatility. So  
4 what comments can you offer to people who invest in XRP?

5 MR. GARLINGHOUSE: Well, let me start by  
6 clarifying. Ripple is not XRP, and XRP is not Ripple,  
7 so I think the question is there's been a lot of

8 volatility in the price of XRP. I guess I would observe  
9 that there's been a lot of volatility in all digital  
10 assets. I actually think that some of that volatility  
11 shouldn't -- well, the correlation between all digital  
12 assets, meaning when Bitcoin goes down, basically the  
13 whole market goes down. When Bitcoin goes up, the whole  
14 market goes up. I actually think that is not entirely  
15 rational. I'll pause and explain why.

16 FEMALE SPEAKER: (Speaking in Korean)

17 MR. GARLINGHOUSE: So much of the recent  
18 volatility in 2018 has been driven by regulatory  
19 concerns and uncertainty about what various governments  
20 might do to restrict ICOs or other parts of the crypto  
21 market. The reason why I think that correlation where  
22 all digital assets are moving kind of in tandem is that  
23 not all digital assets are susceptible to that  
24 regulatory risk. If ICOs are banned, that's very bad  
25 for Ethereum because most ICOs are ERC20 tokens. But

0019

1 yet, when the ban on ICOs is rumored, then the whole  
2 market goes down. That doesn't make sense to me. I  
3 think that because Ripple is working with regulators,  
4 that actually has put XRP in a unique position as we  
5 think about the maturation, the growth as the industry  
6 continues to mature.

7 FEMALE SPEAKER: (Speaking in Korean)

8 MALE SPEAKER: (Speaking in Korean)

9 MALE SPEAKER: (Speaking in Korean)

10 FEMALE SPEAKER: This is a question regarding  
11 the purpose of your visit. Was the purpose of your  
12 visit mainly to meet with financial institutions in  
13 Korea or people with the regulators and this media event  
14 is a part of or a side event to that? Or was a media  
15 event the main purpose of visit? And if it's the  
16 latter, was there a particular reason why you or Ripple  
17 thought that there was a need for a media event at this  
18 point in time?

19 MR. GARLINGHOUSE: I came to see all of you.  
20 (Laughter) No, in all seriousness, I am spending the  
21 week in Asia. I was in Singapore yesterday speaking at  
22 the Money 2020 Conference. I was in Bangkok the day  
23 before that. We have a number of customers in Bangkok.  
24 It's important to me that I, as CEO, of the company and  
25 talking to customers, talking to policy makers, I'm

0020

1 hearing from them and they're hearing from me. So this  
2 was an opportunity because I was in town, given the  
3 interest, and I actually love to visit Seoul.

4 FEMALE SPEAKER: (Speaking in Korean)

5 MR. GARLINGHOUSE: One more quick thought on

6 this, there are a lot of misconceptions and a lot of  
 7 misinformation about the digital asset and blockchain  
 8 market. I think it's incredibly important that I  
 9 personally am proactive in clarifying those  
 10 misconceptions and explaining that misinformation. So  
 11 to take this opportunity to thank -- frankly, I thank  
 12 all of you for coming because it's important to me that  
 13 those misinformations are clarified.

14 FEMALE SPEAKER: (Speaking in Korean)

15 MALE SPEAKER: (Speaking in Korean)

16 MALE SPEAKER: (Speaking in Korean)

17 FEMALE SPEAKER: As a follow-up to that  
 18 comment, so specifically, what are the misconceptions or  
 19 misunderstandings that you would like to correct in  
 20 Korea about blockchain and digital assets?

21 MR. GARLINGHOUSE: Well, I think one of the  
 22 most important ones is around the -- I think because  
 23 Bitcoin started from a kind of anarchistic, disrupt  
 24 governments and disrupt banks, I think some in the  
 25 communities think all of crypto is trying to circumvent

0021

1 regulations and enable anonymous transactions. That's  
 2 just not the case. What Ripple is doing, what we're  
 3 doing with XRP is solving the institutional problem with  
 4 regulated exchanges, with regulated financial  
 5 institutions. And so it's just -- I think that one's  
 6 probably the most important that not all crypto is the  
 7 same.

8 FEMALE SPEAKER: (Speaking in Korean)

9 MR. GARLINGHOUSE: I know we're running out of  
 10 time, but one of the misconceptions I'll comment on, and  
 11 maybe we'll take one more question, one of the other  
 12 misconceptions about XRP in particular is that it's  
 13 centralized. XRP is definitely not centralized. It's  
 14 an open source technology anyone here can download and  
 15 run a validator, and I think some would say well, XRP is  
 16 centralized because Ripple the company is a centralized  
 17 company and owns a lot of it. Consider this, 9 percent  
 18 of all of Bitcoin is owned by four percent of all  
 19 wallets. It's kind of an amazing stat when you think  
 20 about what's centralized and decentralized.

21 FEMALE SPEAKER: (Speaking in Korean)

22 MALE SPEAKER: (Speaking in Korean)

23 FEMALE SPEAKER: (Speaking in Korean) First  
 24 of all, welcome to Korea.

25 MR. GARLINGHOUSE: Thank you.

0022

1 FEMALE SPEAKER: So my question would be, in a  
 2 nutshell, if there's any plan for Ripple Network to  
 3 expand your market share in the future money transaction

4 or money transfer (inaudible) more details (speaking in  
5 Korean) --

6 FEMALE SPEAKER: This is a question regarding  
7 what specific plans Ripple has to widen its penetration  
8 of the market share within the international remittance  
9 market, the context being as a way of assessing the  
10 market value of Ripple as a company. If we approach  
11 this valuation exercising using traditional enterprise  
12 value (inaudible) methods, expanding its market share,  
13 Ripple's market share with the remittance market would  
14 be in important factor in it, so in that context, what  
15 specific plan does Ripple have to increase its market  
16 share?

17 MR. GARLINGHOUSE: There's no question that  
18 when I think about success, it's about getting more  
19 volume, more active networks or, excuse me, more active  
20 nodes on the network. We have made tremendous progress  
21 on that. As I mentioned earlier, we have over 100  
22 announced customers. We're now signing up more than one  
23 customer per week. So the momentum is certainly  
24 building, but I also recognize we are still at the  
25 earliest stage of that marathon. There is a massive,

0023

1 massive, you know, as I said earlier, multitrillion  
2 dollar payment flows and liquidity. We think we can  
3 revolutionize how that works, but it's going to take  
4 time.

5 FEMALE SPEAKER: (Speaking in Korean)

6 MALE SPEAKER: (Speaking in Korean)

7 MALE SPEAKER: (Speaking in Korean)

8 FEMALE SPEAKER: Even though you've mentioned  
9 several times that this is a marathon, we also have to  
10 think of the short term events, one of which is the Team  
11 20 Finance Minister's meeting that's coming up next week  
12 on the 19th and 20th, and many people, I guess the  
13 investors in the market, are expecting this to be a  
14 deflection point. So do you have an outlook on what  
15 would happen around that event?

16 MR. GARLINGHOUSE: I don't have any particular  
17 outlook about that specific event. I would, I guess,  
18 comment that I think there should be a global thought  
19 about how regulation could work. The internet, in the  
20 earliest days of the internet, 1990 -- the mid-1990s,  
21 there was a lot of discussion about internet regulation.  
22 And we do need to think about some of these things on a  
23 global basis. Most financial regulation today, many  
24 financial regulations today are global.

25 As an example, KYC, know your customer as a

0024

1 requirement, that's kind of a global requirement. I

2 think we should make sure we think about that on a  
3 global basis. I doubt we'll see anything major coming  
4 out of the G20 event coming up, though.

5 FEMALE SPEAKER: (Speaking in Korean)

6 MALE SPEAKER: (Speaking in Korean)

7 FEMALE SPEAKER: (Speaking in Korean)

8 FEMALE SPEAKER: There are many different  
9 terminologies between used interchanged and I'm a bit  
10 confused. There's virtual currency. There's  
11 cryptocurrency, and how do you define each? Do you see  
12 there's a difference? And I've also noticed that you've  
13 used the term digital assets quite a lot. Is there a  
14 reason why you particularly used the expression digital  
15 assets?

16 MR. GARLINGHOUSE: I am glad you asked  
17 (laughter). I almost never use the expression  
18 cryptocurrency. And the reason is today, these aren't  
19 currencies. I can't go down to Starbucks and buy a  
20 coffee with Bitcoin. I can't buy -- I can't buy coffee  
21 with XRP. I'm using Starbucks as a random example.  
22 Currencies, traditionally, are something you can use to  
23 transact efficiently and broadly. Very few people, even  
24 in the crypto community have used the, you know, Bitcoin  
25 or XRP to buy something. That doesn't mean that they

0025

1 won't ever be currencies, but today I call them digital  
2 assets because that's I think what they are.

3 FEMALE SPEAKER: (Speaking in Korean)

4 MR. GARLINGHOUSE: One more quick thing on  
5 this, if you were to use Bitcoin to buy that cup of  
6 coffee, it would double the price of the coffee because  
7 of Bitcoin transaction fees and it would take hours to  
8 complete the transaction, so by the time you got the  
9 coffee, it would be cold. (Laughter)

10 FEMALE SPEAKER: (Speaking in Korean)

11 MALE SPEAKER: (Speaking in Korean)

12 FEMALE SPEAKER: (Speaking in Korean)

13 FEMALE SPEAKER: Last February at a Goldman  
14 Sach's technology conference, you mentioned that you  
15 think that eventually, the value of these  
16 cryptocurrencies would drop to zero because they don't  
17 currently have any value as a transaction currency. My  
18 question is do you still think that that comment is  
19 valid, and what is your outlook long-term wise of the  
20 bitcoin and other cryptocurrency or digital assets?

21 MR. GARLINGHOUSE: So what I've often said is  
22 the value of any digital asset will be derived by the  
23 utility it creates and the problem it's solving. With  
24 XRP, it's obviously our focus today. Ripple is focused  
25 on the payments part of that. I think there's many

0026

1 ICOs, there's many tokens (inaudible) that's very  
2 confusing to me what utility, what problem they're  
3 solving.

4 So yes, I did predict that most ICOs would go  
5 to the zero. I think I've seen research -- I don't know  
6 that this is true, but I've seen research that already  
7 47 percent of ICOs have failed. That was research  
8 done -- well, I'd Google it. I'm not sure who said that  
9 (laughter), but so I'd stand by that statement and but I  
10 think digital assets that are solving a real problem, I  
11 think we'll continue to gain value because they're  
12 solving a real problem.

13 And I think Bitcoin solves a problem around  
14 what effectively is digital gold. I think XRP is  
15 solving a problem. There's just some that I'm not clear  
16 what the problem they're solving is.

17 FEMALE SPEAKER: (Speaking in Korean)

18 MALE SPEAKER: (Speaking in Korean)

19 FEMALE SPEAKER: (Speaking in Korean)

20 FEMALE SPEAKER: Those were several questions  
21 connected. One is as you know, Korea or Korean won  
22 accounts for a large part of the XRP transactions  
23 globally, Bitso, for example, has 20 percent of XRP  
24 transactions. So do you think this wide adoption of XRP  
25 or aversion of XRP in Korea would help -- will be

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1 beneficial to Ripple's business in Korea?

2 The second question is, can you share the  
3 results of the POC that you've done with (inaudible)?  
4 The third question, is do you think there's a particular  
5 reason why Korea is -- Korean's (inaudible) XRP?

6 MR. GARLINGHOUSE: I'll go in reverse order.  
7 You know, I don't think that the Korean interest in XRP  
8 is that unique relative to the Korean interest in  
9 digital assets broadly. The largest exchanges in the  
10 world are here in Korea. That applies to XRP. That  
11 applies to Bitcoin. That applies to Ethereum and  
12 others.

13 I'll do the next question and then I'll --

14 FEMALE SPEAKER: (Speaking in Korean)

15 MR. GARLINGHOUSE: I'm embarrassed to say the  
16 second question was about the (inaudible), and those  
17 were both successful pilots. For now, I don't have much  
18 more to say than they both have been successful pilots  
19 and we, you know, are excited about that continued work.  
20 The first question, I forgot.

21 FEMALE SPEAKER: It was is it helpful that  
22 Koreans have a lot of (crosstalk).

23 MR. GARLINGHOUSE: Oh. Well, you know, as I

24 mentioned earlier, I think we think a lot about  
25 liquidity between various fiat and XRP, and so seeing  
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1 lots of liquidity is a beneficial thing between Korean  
2 won and XRP, you know? So that's a good thing.  
3 FEMALE SPEAKER: (Speaking in Korean)  
4 MR. GARLINGHOUSE: I think we're wrapping up.  
5 And since I might not get to speak again, I want to  
6 thank all of you. I also want to thank the access team  
7 and to thank our translator. I appreciate you all  
8 having me and hopefully you've got a better  
9 understanding of what we're doing at Ripple and the XRP  
10 ecosystem.

11 FEMALE SPEAKER: (Speaking in Korean)  
12 MALE SPEAKER: (Speaking in Korean)  
13 (Applause)  
14 (End of video.)

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1 TRANSCRIBER'S CERTIFICATE

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3 I, Wendy Smith, hereby certify that the foregoing  
4 transcript consisting of 28 pages is a complete, true  
5 and accurate transcription of all matters contained on  
6 the recorded proceedings, Ripple CEO Brad Garlinghouse  
7 Korea Reporter Meeting - YouTube, in the matter of  
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Interview with Cory Johnson, 3/17/2018, via Yahoo Finance

<https://www.yahoo.com/news/ripples-new-chief-market-strategist-crypto-regulation-will-separate-wheat-chaff-114110796.html>



yahoo/finance



## **Ripple's new chief market strategist: Crypto regulation will 'separate the wheat from the chaff'**



Daniel Roberts • Contributor

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1 UNITED STATES SECURITIES AND EXCHANGE COMMISSION

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3 In the Matter of: )

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) File No. NY-09875-A

5 RIPPLE LABS, INC. )

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7 SUBJECT: Why Journalist Cory Johnson Left Bloomberg  
8 TV for Ripple

9 LINK: [https://www.yahoo.com/news/ripples-new-chief-](https://www.yahoo.com/news/ripples-new-chief-market-strategist-crypto-regulation-will-separate-wheat-chaff-114110796.html)  
10 [market-strategist-crypto-regulation-will-separate-wheat-](https://www.yahoo.com/news/ripples-new-chief-market-strategist-crypto-regulation-will-separate-wheat-chaff-114110796.html)  
11 [chaff-114110796.html](https://www.yahoo.com/news/ripples-new-chief-market-strategist-crypto-regulation-will-separate-wheat-chaff-114110796.html)

12 POSTED BY: Yahoo

13 DATE POSTED: 3/15/18

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1 P R O C E E D I N G S

2 Why Journalist Cory Johnson Left Bloomberg TV for Ripple

3 FEMALE INTERVIEWER: I want to talk about the  
4 recent transition you made. But you were in media for  
5 years.

6 MR. JOHNSON: Yeah.

7 FEMALE INTERVIEWER: You recently just made  
8 the jump to crypto. You're not with Ripple. Talk to us  
9 -- what was behind the move? What was behind the career  
10 change?

11 MR. JOHNSON: Well, I mean, I -- so  
12 fundamentally, from a personal, career standpoint, I  
13 started to look at my career having to do a lot of  
14 startups.

15 So, you know, I worked on Wall Street. I  
16 worked on a -- as a -- on the buy side for a couple  
17 hedge funds for a stretch. But in the media side, you  
18 know, I started Slam Magazine. I helped start Vibe  
19 Magazine with Quincy Jones. We helped start  
20 TheStreet.com with Jim Cramer. We did a magazine called  
21 the Industry Standard. I was the first Silicon Valley  
22 bureau chief in for CNBC. That was kind of startup in  
23 its own way.

24           When I went to the buy side, I never thought  
25 I'd go back to journalism. But then I came to Bloomberg  
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1       with an idea about a different kind of technology show.

2       That was a startup.

3           So I like -- startups are in my blood. I like  
4 to do it. The other thing is I've seen high growth  
5 startups in Silicon Valley for 20 years. I've watched  
6 these companies, some have done wonderfully and  
7 spectacularly.

8           I've watched companies like Google go from two  
9 guys to one of the dominant businesses in the history of  
10 time. I've watched a lot of companies face plant in  
11 that time.

12           And so the idea that I can be involved at a  
13 very senior level to help shape a company that's doing  
14 some things that have really captivated the imagination  
15 of everyone in the world of business is really excited.

16       So I'm stoked.

17           MALE INTERVIEWER: Cory, you talk about Ripple  
18 as a startup, there is some massaging to be done, I'll  
19 say, on the messaging. You know, we were lucky enough  
20 to have Ripple CEO Brad Garlinghouse in here at our all-  
21 day crypto event about a month ago.

22           And he was very candidly talking about sort of  
23 the confusion in the market that exists between Ripple  
24 the company and its many different products, and XRP,  
25 the cryptocurrency.

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1           MR. JOHNSON: Right.

2           MALE INTERVIEWER: So as market strategist, is  
3 that something you'll be looking at? How do you sort of  
4 -- it takes a little bit of educating people on the  
5 differences?

6           MR. JOHNSON: I mean, certainly, you know,  
7 I've been telling stories -- nonfiction stories -- for  
8 my entire life, so I would imagine that's going to be a  
9 part of my role both internally at the company and  
10 externally sort of facing Wall Street and facing  
11 investors in the company, and, indeed, facing regulators  
12 and -- or I would imagine part of the sales effort, as  
13 well, telling that story clearly.

14           Ripple is really interesting company. I mean,  
15 as your last guest was -- I thought, really well --  
16 explained it very well, there's -- there's two things,  
17 right, there's these cryptocurrencies -- we call it  
18 digital asset. You call them coins, whatever the heck  
19 you want to call it. And then there's the software  
20 product that Ripple is creating.

21           And the history of this company is that some -

22 - some very smart engineers looked at Bitcoin and said,  
23 there are some flaws in this. This thing might not  
24 scale well. This thing might not allow for it to be  
25 used in commerce the way some of the people behind

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1 Bitcoin wishes that it would. Let's try to improve  
2 that.

3 Well, they created this really cool and  
4 interesting technology -- this XRP, this coin, if you  
5 will, this digital asset. But then what?

6 Well, they turned that over -- or much of  
7 that, about two-third of that over to a company, Ripple,  
8 and let Ripple try to find the right use case. And  
9 we're focused really on banking and moving -- moving  
10 money the way we move text messages.

11 I mean, the fact that you can send a text  
12 message to Brazil in three second, and that you can send  
13 an email with an attachment to South Africa in about  
14 three seconds, but it takes you three to six days to  
15 move money is ridiculous. It's an enormous problem in  
16 the world of finance.

17 And Ripple Software is trying to use -- trying  
18 to solve these problems incorporating XRP as a coin or  
19 as a digital asset as a methodology to solve those  
20 problems.

21 So that using Ripple Software you can move  
22 money in three seconds like a text message. It  
23 shouldn't be rocket science.

24 But thus far the world of banking hasn't been  
25 able to solve that technological problem we think we

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1 have.

2 MALE INTERVIEWER: Yeah, Bitcoin, of course,  
3 originally people hyped it as a way to disrupt Western  
4 Union. As you say a way to send money, and it was good  
5 for remittances.

6 MR. JOHNSON: Right.

7 MALE INTERVIEWER: Of course, Bitcoin itself,  
8 it hasn't shaken out that way. It's mostly just a  
9 speculative investment. People aren't really using it  
10 as a cryptocurrency anymore.

11 Brad Garlinghouse said the same thing that you  
12 were saying about how we think of it more as a digital  
13 asset than a cryptocurrency.

14 I think the term cryptocurrency has become a  
15 little passe. But when you think if Ripple, is it a  
16 crypto company? Is it a banking company? You know, who  
17 are Ripple's biggest competitors you think?

18 MR. JOHNSON: So I truly think of it as an  
19 enterprise software company.

20           It's an enterprise software company trying to  
21 solve issues around payments for banks and eventually  
22 for companies as well. We've got products to do both  
23 those things.

24           But it also is sitting on an asset of about 61  
25 billion XRP assets. And so the valuation of this

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1 business -- it's a private company, of course -- but it  
2 certainly has both those components, of the company  
3 itself is sitting on this enormous asset that right now  
4 the market is valuing at a very high level.

5           But we're trying to use that asset to create a  
6 software business where we'll be charging enterprise  
7 software just like any other enterprise software out  
8 there -- whether it's Salesforce or Oracle or SAP. You  
9 name it.

10           FEMALE INTERVIEWER: And, Cory, in your new  
11 role, you're out there, you're explaining what Ripple  
12 is, you're explaining what XRP is, it's becoming more  
13 mainstream but still there is a ways to go here.

14           MR. JOHNSON: Yeah.

15           FEMALE INTERVIEWER: Does the recent  
16 volatility that we have seen in the crypto markets, does  
17 that make the adoption of it -- do you think that will  
18 slow the adoption of it?

19           Or how does that change the message that you  
20 at -- from Ripple are getting out there?

21           MR. JOHNSON: So let me make it really  
22 personal -- so December, we see -- November, December,  
23 we see this huge spike in the value of a lot of these  
24 assets.

25           They're all starting to blend together.

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1 There's -- there's been a lot of interest in this. And  
2 I've been -- I've been paying attention to this space  
3 for quite a while, but I really dug in November,  
4 December, and just really decided to learn it.

5           And from my perspective at the time, which is  
6 completely biased now, but even that the time, I saw  
7 that -- you know, what is -- I'm a Buffett guy right, or  
8 I'm a what's the intrinsic value, what's the thing  
9 actually worth.

10           The currency notion -- gold always seemed like  
11 a ridiculous investment to me, right? Because it only  
12 has value because someone else says it has value.  
13 Ultimately, it's a greater fool theory, nothing, right?

14           But the intrinsic value in these coins or in  
15 these assets isn't there, right?

16           It's just hoping someone is going to find it  
17 there. Maybe it's a better way to use security. Maybe

18 it's a better way to use technology.

19 But what I saw in Ripple was something  
20 different than what I see in some of these other ones  
21 and a certainly a lot of these ICOs is that the  
22 activities of the software company create value in the  
23 asset and underlying intrinsic value.

24 Now the volatility of these things is because  
25 they're trading it -- because they're tradable assets.

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1 And certainly, there's going to be volatility in the  
2 early days of any tradable asset -- extreme volatility.

3 But I think one of the reasons you have the  
4 volatility is because no one is doing a: This is  
5 ultimately worth that. This is the price -- or that is  
6 the price I'm willing to pay for this asset.

7 And I think that over time we're going to see  
8 that. And I believe that Ripple is going to be able to  
9 demonstrate an intrinsic value for XRP that some of  
10 these sillier coins and assets don't have and won't  
11 have.

12 FEMALE INTERVIEWER: And, Cory, I mean, over  
13 the past -- or this week, it came out that Google had  
14 blocked crypto ads from its platform.

15 MR. JOHNSON: Yeah.

16 FEMALE INTERVIEWER: That has added to some of  
17 the volatility that we have seen so far this week in the  
18 crypto market. What's your reaction to that? I mean,  
19 why would they be doing that?

20 MR. JOHNSON: Well, thank God. I mean, so  
21 many scams.

22 And it wasn't just cryptos. It was options  
23 offerings that were sort of binary in nature. If you  
24 get this right, you'll make money. They banned that.

25 You know, our society has a big problem with

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1 what's been happening in social media -- whether it's  
2 Facebook, Twitter, YouTube. We see that with the  
3 Russian role in the U.S. elections and in global  
4 elections. We see that with the hate speech that's  
5 happened there.

6 And I think that the platforms are starting to  
7 recognize that they need to have some sort of governance  
8 towards those messages.

9 Regulation is going to be good for the world  
10 of blockchain companies, for cryptocurrencies because it  
11 really is going to separate the wheat from the chaff.

12 I don't think we're there yet. But I think  
13 it's -- I don't know -- I think it's a good thing.

14 (End of video.)

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I, Mike McCormick, hereby certify that the foregoing transcript is a complete, true and accurate transcription of all matters contained on the recorded proceedings in the Matter of RIPPLE LABS, INC. 405870-NY, Why Journalist Cory Johnson Left Bloomberg TV for Ripple

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Transcriber  
8/30/2022



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Interview with Eric van Miltenburg, 7/1/2018, via Center for Digital Strategies

<https://www.youtube.com/watch?v=CLUUMtLsROk>



The video player shows a title card for the Center for Digital Strategies at Dartmouth. The title is "The Ripple Effect on Cryptocurrency" in orange, followed by the speaker's name "Eric van Miltenburg T'91, VP of Business Operations" in green. The video features a blue Ripple logo and a background of a network diagram. The player interface includes a "Play (k)" button, a progress bar at 0:06 / 56:16, and a "Britt Technology Impact Series" logo. Below the player, the video title "The Ripple Effect on Cryptocurrency" is displayed, along with "2,955 views Jul 1, 2018 April 2018" and a URL. Interaction buttons for likes (134), dislikes, share, save, and a menu are also visible.

Center for  
**Digital Strategies**  
Tuck at Dartmouth

**The Ripple Effect on Cryptocurrency**  
Eric van Miltenburg T'91, VP of Business Operations

Play (k) 0:06 / 56:16

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7 SUBJECT: 08 - The Ripple Effect on Cryptocurrency  
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1 P R O C E E D I N G S

2 MR. WHEELER: All right, thanks for coming,  
3 everyone. For those I haven't met, I'm Patrick  
4 Wheeler, system director in the Center for Digital  
5 Strategies. For today's event, we're really excited.  
6 I think there's a lot of energy and excitement around  
7 campus when we start to talk about Blockchain, and  
8 crypto, and Fintech.

9 And we're really excited to be able to bring  
10 today Eric Van Miltenburg from Ripple, who not only  
11 plays in that space, but actually has a really sound  
12 business product with a business model that solves  
13 really important business challenges. So, without  
14 further ado, I'll turn it over to Eric. Please join  
15 me in welcoming Eric Van Miltenburg.

16 MR. VAN MILTENBURG: Thank you, Patrick.  
17 Thank you for organizing the day. Thank you to Robin.  
18 I've already had a great morning, chatting with a lot  
19 of students. It's a treat to come back to Hanover.  
20 And I appreciate the fact that you actually have some  
21 nice weather for me when I'm back here because it  
22 creates literally a warm welcome.

23 As Patrick said, I want to keep this pretty

24 casual. I have a set of slides, probably  
25 take half an hour or so. And my goal there is to give  
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1 you just a little bit of background on me and the  
2 journey that I took post Tuck and how I got to where I  
3 am today. Certainly, would like to share a little bit  
4 about Ripple and what we're doing in our take on  
5 deploying Blockchain technology to solve a real-world  
6 problem.

7 I won't be, maybe too much chagrin, talking  
8 a lot about ICOs, or the latest hype around coins, or  
9 when Bitcoin is going to fork again. We can talk  
10 about that during Q & A. But I'd like to focus today  
11 more on what I think is a real-world application of  
12 Blockchain technology and how it can make a real big  
13 difference going forward. And then, leave plenty of  
14 time open for questions.

15 Caveats at the start, I am truly a Tuck  
16 grad.

17 I'm not a tech guy. I'm not going to be  
18 able to get deep into all the nuances of Blockchain.  
19 I can go far enough to be dangerous. So, don't  
20 hesitate to ask questions. But I want to think more  
21 about the strategy and how we go about deploying  
22 Blockchain in a meaningful way.

23 So, this image can either be the road less  
24 traveled, or the long and winding road, which I guess  
25 the folks that helped me put this together meant to  
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1 typify my post Tuck career. I came out of Tuck in the  
2 dark ages, '91, I graduated. As we were talking about  
3 a breakfast, there was actually a recession going on  
4 in 1991. About 30 some odd percent of my classmates,  
5 including myself, left Tuck without a job, which was  
6 really, really scary, given the amount of money that  
7 you invest to come here, and you think you're going to  
8 get that degree, and you're going to be in demand.

9 And so, I packed up, and I went out to the  
10 West Coast, which is where I grew up. And by the  
11 fall, I was working at a tiny boutique, a strategy  
12 consulting firm called Windermere associates. About  
13 ten professionals doing what MBAs do. You go, and you  
14 consult, and you work on big problems with big  
15 companies. And I figured out in two or three years  
16 that, just for me, that wasn't the thing.

17 And now, it's like 1995, and this thing  
18 called the internet is coming around. Sounds  
19 interesting. And I know nothing about the internet,  
20 but just pre-LinkedIn, start smiling and dialing, and  
21 I was able to land a job at a dial-up ISP. Which is

22 hard to believe right now, but at the time was pretty  
23 darn cool. Getting people onto the Internet, what was  
24 a browser? How do you use email? How does that all  
25 work? And how does it make an impact?

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1 And I was fortunate to hook up with a boss  
2 and a mentor that I worked with for a while. I  
3 started off doing what we call -- I think we called it  
4 "business planning and management." So, taking my  
5 "smart business guy" skills and trying to insert them  
6 in a space that was the Wild West. There wasn't a  
7 whole lot of measurement and process. And trying to  
8 balance the need for putting some structure around  
9 things without being so bureaucratic, that you slow  
10 down the ability to be nimble and entrepreneurial.

11 So, it has been a long and winding road.  
12 I've worked for companies as large as Yahoo, with  
13 13,000 employees. I've been Employee #8 at a startup.  
14 The common thread has always been this combination of  
15 what I guess today we call business operations, but  
16 business development strategy, corporate development.

17 I've embraced being a generalist. I had  
18 opportunities to go deep into marketing or go down a  
19 CFO path. Both of which are fantastic, but for me, I  
20 really enjoyed carving a slightly new path, and this  
21 this function of business operations, I think, is now  
22 more commonplace. It's this intersection of, I think,  
23 internal consulting strategy, keeping the business  
24 part of the business moving forward.

25 I've been fortunate to insert that ability

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1 at a couple of different places. I'll call out a few  
2 and then, try to bring it full circle to what we'll  
3 talk about today at Ripple. First, way back in the  
4 late '90s, I worked for a company called At Home,  
5 which became Excited Home. And you guys, most you  
6 probably weren't even born back then. But we were the  
7 first company that was bringing broadband internet via  
8 cable modems to consumers in the United States.

9 So, the first intersection was old-school  
10 companies trying to do digital transformation with  
11 cable companies, right? They had actually pretty  
12 successful businesses bringing video entertainment to  
13 the masses. They saw an ability to generate a new  
14 revenue stream, but a very different old-school way of  
15 thinking. We were this brash, new, totally "bubble"  
16 era internet company.

17 And it was fascinating to watch that  
18 transformation to help them think through that.  
19 Unfortunately, I think they thought through it enough

20 that they realized they could suck the technology out  
21 of the company and do it on their own. As a result,  
22 Excited Home was truly a poster child for that Web 1.0  
23 era. We went public in '97, and the stock went  
24 through the roof. We hired a ton of people, we built  
25 huge buildings, and then, the bubble burst. And then,

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1 the company basically imploded.

2 The cable companies truly sucked the IP out  
3 of that. Now, you have Comcast, and TCI, and COX  
4 Cable all running their own broadband businesses now,  
5 both for consumers and for enterprise. Making a lot  
6 of money and, unfortunately, somewhere in the scrap  
7 pile of internet, Web 1.0 is that company. But an  
8 interesting process and a lesson you learn going  
9 forward.

10 The other one I'll call out is at Yahoo, I  
11 had a couple of different roles, but one was working  
12 on a major project we had with the newspaper industry,  
13 another old-school industry trying to figure out how  
14 to not only survive but try to thrive in the internet  
15 age.

16 And in some ways, Yahoo was the Antichrist.  
17 It was the company that was taking all of their users  
18 and all of the ad dollars and moving it away from  
19 them. But they realized, at least a small group  
20 within a lot of these newspaper companies realized,  
21 "Hey, we either can go down the road that leads to a  
22 not-so-good outcome, or we can try to partner and  
23 learn."

24 So, I put together a partnership with about  
25 a dozen different newspapers across the United States,

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1 from Hearst, to also Cox, another intersection there.  
2 Belo down in Texas. They leveraged our search  
3 technology, our ad serving technology. We took their  
4 original local content and displayed it to our users.

5 So, it was, again, another valuable lesson  
6 of how to try to take an industry that was really  
7 confronting, "How do you make it to the next level?  
8 How do you embrace technology and not get lost in the  
9 mix?" And that leads to today. I'm at a company  
10 called Ripple.

11 And just for background, Ripple is a  
12 later-stage startup. We have about 220 people. We're  
13 headquartered in San Francisco, right in the heart of  
14 the financial district. We develop enterprise  
15 software that we serve banks and other financial  
16 institutions. Specifically, to help pain points  
17 involved with payments, and even more specifically,

18 cross-border payments, moving money around the world  
19 more efficiently than it happens today.

20 It is, again -- sometimes, life repeats  
21 itself. Working with a set of companies and  
22 institution that's been around not decades, but  
23 centuries in many cases. And they're dealing with  
24 technology that isn't necessarily in the 21st century  
25 always. And how do they embrace that without getting  
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1 disintermediated and losing their identity and  
2 business model around the way?

3 So, anyway, that's enough about me. Let's  
4 get going on what we do. Our mission at Ripple is to  
5 create something we call the Internet of value, and  
6 I'll spend a few minutes talking about that in just a  
7 second. I think we leverage the Blockchain. We  
8 leverage Blockchain technology.

9 As Patrick was saying at the start,  
10 everybody wants to talk about Blockchain. The hype  
11 around Blockchain is really off the charts. And I,  
12 having enough gray hair to have been through Web 1.0,  
13 we saw -- well, those of us that were around, saw  
14 Pets.com. We saw Webvan. 90 percent of the companies  
15 that just put a .com after the name didn't really need  
16 to. Or maybe they needed to, but they did it in the  
17 wrong way.

18 And having been to this movie before, I see  
19 a lot of the same hype existing around the Blockchain  
20 today. I think it'll be as impactful as the internet  
21 was impactful for society. I also think that there is  
22 a lot of stuff going on that doesn't make any sense  
23 that doesn't require the Blockchain. A database often  
24 works just fine for a lot of things people are trying  
25 to do.

0010

1 And so, what I'd like to highlight as we  
2 chat today is how, at least from my perspective,  
3 Ripple is tackling a very specific real-world problem.  
4 And doing so in a way that I think is going to make a  
5 really dramatic impact. So, before I get into exactly  
6 what we do, I'm going to take a step back and talk a  
7 little bit more strategically.

8 If you think -- hopefully, this isn't going  
9 to get too high level and squishy. But if you think  
10 about major trends that have happened that have helped  
11 the global economy grow and actually work, I'd argue  
12 there's three components that are critical to actually  
13 create that economic globalism. And two of them,  
14 we've checked off. One, I don't think we have, and it  
15 has to do with the Internet of value.

16 So, the first one -- interesting fact about  
17 this picture. This was taken the year that I  
18 graduated from Tuck. I was going for a little more  
19 laughter there. Damn. So, what does it have to do  
20 with anything? So, shipping. If you think about  
21 shipping of physical goods. If you look back, I think  
22 this picture was probably taken, I don't know,  
23 earliest 20th century.

24 Shipping physical goods was hard. Not only  
25 because we didn't have airplanes and whatnot. But

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1 when you think about how packaging of physical goods  
2 happened, there was no rhyme or reason. The goods  
3 came from all different parts of the world. There was  
4 different methodologies, shipment. It was super  
5 expensive and prohibitive.

6 And as a result, a lot of commerce didn't  
7 happen. Things didn't move across the world simply  
8 because the economics associated with making that  
9 happen didn't make sense. You couldn't make the  
10 business model work. So, in the 1950s, voila, the  
11 shipping container.

12 You look at a shipping container, it's just  
13 a big metal box, right? Well, actually, it was a huge  
14 innovation. This shipping container was standardized  
15 around the world, and it revolutionized how physical  
16 goods were transported. And there's a word I'll use a  
17 few times here, and that's "interoperability."

18 So, component one of making a truly  
19 efficient global economy is interoperability of  
20 physical goods. And I'd argue that the innovation of  
21 the shipping container was a fundamental milestone in  
22 ensuring that that happened in a way. Because when  
23 you think about what happens is, I can go anywhere in  
24 the world, and that shipping containers the same.

25 I can go from factory, putting that shipping

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1 container on a truck that goes to a train, that goes  
2 to a cargo ship. That ship goes to a new port in a  
3 totally different spot in the world. It'll be the  
4 same infrastructure that has been built around that  
5 allows the logistics around shipping to happen in a  
6 far more efficient way.

7 And there's statistics that show in a  
8 20-year period -- frankly, I don't know if it's from  
9 the '50s to the '70s, or the '60s to the '80s. There  
10 was a 700 percent increase in the transport of goods  
11 in North America. In the northern hemisphere, I  
12 should say, not North America. That can be traced  
13 back to the fact that we have this interoperability



14 with physical goods.

15 So, I think, one, physical good  
16 interoperability, check. That happened. It's pretty  
17 impressive. I don't have a bunch of fancy pictures  
18 for the next one, but you guys have lived through some  
19 of it yourself. And that's the interoperability of  
20 data. So, obviously, the internet has been  
21 transformational.

22 We have the ability now not to work in  
23 siloed islands of networks where data is contained,  
24 and moving things from one node to another is  
25 difficult. We have these standards. Just like the

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1 shipping container was standardizing how physical  
2 goods moved, we have standards that the internet  
3 brought us. TCP IP, HTTP that allows a web page to  
4 load, no matter what browser, no matter what internet  
5 service provider you have. That allows us to send  
6 emails back and forth in a way that you don't even  
7 think about it.

8 We take all this for granted. But it really  
9 revolutionizes how we can communicate. And so, you  
10 have the interoperability of physical goods. You have  
11 the interoperability of data. What are we missing?  
12 We're missing the interoperability of value, the  
13 ability to move money around the world as efficiently  
14 as data moves around the internet today.

15 It's crazy in some ways to think we're in  
16 2018. And if I want to send a 30-gig video clip to  
17 Hong Kong, I don't even think about it. I just send  
18 it, attach it to an email, upload it to Dropbox, and  
19 the person on the other end pulls it down. Marginal  
20 cost is basically zero. I know it'll get there in  
21 seconds, and I'm about 100 percent sure it'll happen.  
22 Maybe on some cases, it doesn't.

23 If I want to send \$10,000 from Hanover to  
24 Hong Kong, honestly, your best bet is to put it in a  
25 suitcase and go down to Logan and hop on a plane.

0014

1 It'll get there faster, more reliably, and probably --  
2 I don't know about cheaper. The plane ticket might  
3 cost you a little bit. But it's really the fact that  
4 we live in an internet age, but the infrastructure to  
5 support global payments is really based on technology  
6 that is 45 years old, it's a little mind blowing.

7 And that's really what -- I might be off of  
8 my slides. That's really what we saw, or I should  
9 say, the founders of Ripple saw when they created the  
10 company. And that's we'll talk a little bit more now.  
11 So, to start off with, let's take a look at what is

12 happening on the demand side. So, when I'm talking  
13 about demands, it's people that have a need to send  
14 payments.

15 And if you look at this from a corporate  
16 lens, the profile of the corporate customer that needs  
17 to send payments has changed pretty dramatically in  
18 the last 20 years. These logos, obviously, are some  
19 of the largest technology companies around the world.  
20 And they all have come into being in this new internet  
21 age. And they have some interesting characteristics.

22 Let's look at Amazon, just as an example. I  
23 think this is relevant for many of the names that were  
24 on that list. So, I think these numbers are from a  
25 couple years back. But the sellers, the people that

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1 are selling goods on Amazon, come from over 100  
2 Different companies around the world.

3 They are sending goods to 185 countries  
4 around the world. So, the purchasers, the consumers,  
5 the retail folks. And in 2015, there was a billion  
6 items shipped. The logistics around that are  
7 shocking. So, what does that mean? That means Amazon  
8 has to figure out how to disperse funds to vendors in  
9 185 countries.

10 Amazon only does disbursements in 19  
11 currencies, which in and of itself is a huge effort  
12 for them. That means tons of integrations into  
13 different banks. That means employing literally  
14 hundreds of people within Amazon to work on payments.  
15 That's true. We've talked to people on Uber. We've  
16 talked to people in Airbnb. These are not payments  
17 companies, but the current infrastructure that exists  
18 to serve them isn't adequate to meet the needs that  
19 they have.

20 So, not only is that a pain for Amazon, but  
21 then, if you are a vendor in one of those countries  
22 that happens not to have the good fortune of being  
23 served with the right currency, you have to go form a  
24 banking relationship. You have to deal with the FX  
25 rates. You have a whole other set of burdens that you

0016

1 obviously would rather avoid because you're trying to  
2 run your small business or your shop.

3 So, this is an evolution that's material.  
4 And so, I won't go through these in a lot of detail.  
5 But what you see is that these companies all were  
6 global from day one. It used to be, you created your  
7 company. You had a nice domestic business. If you  
8 were fortunate enough to do well, you were like, "How  
9 do I grow revenue?" Well, I move, and I opened a

10 market overseas.

11 Well, with the internet, people are starting  
12 to sell overseas from day one. So, that's a very  
13 different demand. There's new business models. The  
14 gig economy, sharing economy. You've got a lot of  
15 vendors. There's two million Uber drivers around the  
16 world? They want to get paid right away, and they  
17 want to get paid in their local currency. Maybe they  
18 don't even have a bank account. They want to get paid  
19 to their mobile wallet.

20 These are our demands on the payments  
21 infrastructure and the payment system that didn't  
22 exist ten or 15 years ago. You'll hear Ripple use the  
23 phrase in the upper right, the first bullet there,  
24 "high volume, low value, high velocity." So, what we  
25 mean by that is lots and lots of low-ticket item

0017

1 payments. And that's really -- we'll talk about it in  
2 a second, but that's not what the current  
3 infrastructure is set up to do.

4 And then, there's also this idea of  
5 visibility. We use this story sometimes in pitches.  
6 I forget if it's Domino's or Pizza Hut. You know  
7 where your pizza is, everywhere along the way, after  
8 you order it. Where's the driver? When's it coming?  
9 How's it doing?

10 You send a \$10,000 payment through the  
11 traditional system, it's a little bit like putting an  
12 envelope in a mailbox. Not that nobody does that  
13 anymore. Fifteen years ago. You don't know if it's  
14 going to get there. You have to wait, maybe get a  
15 call or a message back from the recipient.

16 That's a bigger and bigger deal when you're  
17 dealing with a lot of small payments going to a  
18 multitude, sometimes millions, of users. So, that's a  
19 current reality. Of course, we have to talk about  
20 another buzzword. But if you look at what's coming in  
21 the near future, it's not just people paying people.  
22 It's machines interacting with other machines.

23 The internet of things is upon us. And this  
24 stat shows that they're not that many years, there'll  
25 be 50 billion connected devices around the world, and

0018

1 many of them aren't going to be interacting just with  
2 people. They'll be interacting with each other.

3 And transactions will happen. And these  
4 aren't big money transactions. We had a group from  
5 Audi, the car manufacturer, into the office. I wasn't  
6 in the meeting. It was a couple years ago. And it  
7 was their future innovation team thinking what's going

8 to happen.

9 And they were talking about, they're going  
10 to be equipping cars in the future with technology  
11 that allows on demand anything. So, if you want to go  
12 up to the mountains in engage four-wheel drive for the  
13 weekend, instead of having to pay for a four-wheel  
14 drive when you buy the car, it'll be there. But if  
15 you want to turn it on, you buy it for the weekend.

16 There was even the example, if you're on the  
17 highway, the cars will be able to talk to each other.  
18 And if you're in a hurry, and you want to pass the car  
19 in front of you, you can say, "I'll give you ten cents  
20 to move over." I don't know if that one's really  
21 going to play out. But we're talking about payments  
22 that are not thousands of dollars or hundreds of  
23 dollars. They're cents or fractions of a cent.  
24 Machines making calls to another machine for more  
25 processing power, or more API calls, or what have you.

0019

1 This is coming, and the idea of micro  
2 payments being at all affordable is just not  
3 fathomable today. So, huge volumes, immediate  
4 on-demand transactions. You have to make this work at  
5 a fraction of the cost. This isn't really where we've  
6 needed to be as a payments industry. But quickly,  
7 this is upon us and will get even more intense over  
8 time.

9 So, why does it work? I don't know how many  
10 people here are familiar with correspondent banking,  
11 any hands, anybody? A few, all right. A year and a  
12 half ago, when I joined Ripple, I certainly was not.  
13 And it was an eye opener to me to see how the process  
14 works today. How many people have wired money  
15 overseas, maybe lived overseas? And how many people  
16 have enjoyed that experience and found it really  
17 efficient and whatnot?

18 So, Swift is a company -- actually, it's a  
19 co-op owned by banks. And that's what they do. They  
20 have a messaging infrastructure that is default. It's  
21 almost the de facto standard that enables cross-border  
22 payments. And, again, it's 45 years old. And it's a  
23 technology that is akin to throwing a letter in a post  
24 office box. It's a one-way messaging technology.

25 You deal with these intermediary banks along

0020

1 the way. And as a result, it's days. My example  
2 before about the plane trip to Hong Kong was an  
3 exaggeration. It'll take two, three, maybe more days.  
4 And that's if it works on the first try. The failure  
5 rates for Swift transactions are somewhere in the

6 neighborhood of 5 percent.

7 Now, in Silicon Valley, and in technology in  
8 general, we talk about four nines of reliability, five  
9 nines of reliability. We're not even talking about  
10 one nine of reliability when it comes to moving  
11 people's money around the world in many cases. That's  
12 a little bit hard to believe.

13 And this system was built for big chunks of  
14 payments that would happen occasionally. So, I used  
15 the term before, low value, high volume payments.  
16 That's where the world is moving. This is about high  
17 value, low volume payments. I'm a big auto  
18 manufacturer. I have to pay my vendor in Vietnam. I  
19 can send them every, two weeks, several million  
20 dollars, and that's just fine. And for those payments,  
21 Swift actually is, yeah, relatively efficient.

22 For the new corporates, it's not where the  
23 world is going, and we don't think that the rails, the  
24 infrastructure for payments, is there to meet that.  
25 In addition, and I touched on this already, the

0021

1 correspondent banking system means if you don't have a  
2 direct of your bank as, let's say, that manufacturer  
3 that is paying a vendor in another country. Doesn't  
4 have a direct banking relationship with that vendor's  
5 bank, you have to deal with an intermediary. It daisy  
6 chains throughout.

7 And throughout that process, you've got fees  
8 that are charged. You have the risk of something  
9 going wrong and delays. Overall, it leads to a very,  
10 very poor, poor experience.

11 So, voila. Took me almost half an hour in a  
12 Blockchain presentation to start to mention  
13 Blockchain. That's great. Why is the Blockchain  
14 going to help here? So, I'm definitely not the person  
15 who can give a great textbook definition of the  
16 Blockchain. You're better off going up to Wikipedia  
17 or your favorite website.

18 But it really does revolutionize how  
19 transactions are recorded. Obviously, it's a  
20 distributed ledger. There's no central counterparty.  
21 It's immutable. You can't change it. It's incredibly  
22 fast. And it depends on the Blockchain, we'll talk  
23 about that in a second, how fast it really is. But it  
24 lends itself to addressing some of the inefficiencies  
25 that exist with the current system. Being able to

0022

1 record transactions in such a way is very appealing.

2 And so, there's one school of thought that  
3 says, "Well, great, so there's one Blockchain. You

4 can do this on Bitcoin. Bitcoin has a Blockchain. It  
5 was the first Blockchain. Why don't we just leverage  
6 that, and we can do all this payment stuff on just  
7 that? This gets back to the analogy of  
8 interoperability.

9 It's unlikely, I think it's almost  
10 impossible, that there's going to be one Blockchain  
11 that is this monolithic thing that is going to be what  
12 everybody across the entire world standardizes on. By  
13 definition, there will be different ledgers, different  
14 Blockchains, different networks that exist.

15 So, putting the entire world on one  
16 Blockchain, fundamentally, I don't think it makes  
17 sense. It's not how the world is starting to play  
18 out. I don't think it's how the world will end up  
19 being played out. So, Ripple pioneered this idea of  
20 how do you address that problem? How do you create  
21 interoperability between different ledgers, between  
22 different payment networks?

23 And so, we came up with the protocol, just  
24 like there was TCP IP for the internet. Our  
25 engineering team has created something called the

0023

1 interledger protocol, or ILP. And the idea being that  
2 these different networks, Blockchain just being one,  
3 ACH, which is the intra country, check clearing, money  
4 moving network here in the United States. Visa is a  
5 network. You can argue that HSBC has a payments  
6 network, etc, etc.

7 They're all these islands right now. And  
8 sure, you can ask each of these networks to move on  
9 the Blockchain, but then, they're just copying what  
10 they're doing and putting it over on a Blockchain.  
11 There's scalability issues that come up very quickly  
12 when that happens.

13 So, the idea, is just like the internet  
14 connected data networks around the world, there should  
15 be a standard, a protocol that connects these value  
16 networks, these payment networks. And that's really  
17 what the interledger protocol that we've developed --  
18 and it's now open source. It's now out for other  
19 people to build on and improve on and deploy. But it  
20 got its start within Ripple.

21 And that's really the idea is to create  
22 these networks. So, now you can have interaction  
23 between the networks and create that efficiency, that  
24 interoperability of value that, we'd argue, was  
25 lacking is that third component after the

0024

1 interoperability of goods, interoperability of data,

2 you need to interoperate, interoperability of value.

3 And just like you need standards for those  
4 other two, you need standards for this and the ability  
5 to leverage something like the interledger protocol.  
6 To do that is super, super important. And so now,  
7 here's the nice, pretty future state world that's all  
8 interconnected and whatnot. We don't need to spend a  
9 lot of time on that.

10 So, how am I doing on time? I didn't intend  
11 to, and hopefully, this isn't coming off at all as a  
12 Ripple commercial. But I want to share with you a  
13 little bit more specifically how we try to tackle the  
14 problem, what products we have in the market, and how  
15 we're going about tackling the opportunity.

16 So, we are trying to -- we work at the  
17 infrastructure layer. We're down at the plumbing.  
18 We're not creating the fancy user facing applications.  
19 We're not a PayPal, or Venmo, or anything like that.  
20 Those applications are great, but they're really just  
21 the veneer. They're still working on the same rails,  
22 the same payments infrastructure. We're trying to  
23 work at that plumbing level and create a new, far more  
24 efficient rail for payments to move around the world.

25 So, I talked about standardization, this

0025

1 idea that there's APIs that work. But it goes beyond  
2 that, and I'll talk about governance and rules in a  
3 second. Speed. It's just not acceptable that  
4 payments moving across the world take two, three,  
5 sometimes more days.

6 Certainty, the idea that when you start a  
7 payment, you've done what you need to do on both ends  
8 such that it's an atomic payment. It means you know  
9 if it starts, it will complete, and it will be  
10 successful. And I'll touch a little bit on it, but I  
11 won't get -- it's a little inside baseball to go too  
12 far into that. So, I won't go too deep.

13 And then, cost. Having straight through  
14 processing rates, eliminating middlemen certainly cuts  
15 out fees and creates a far more efficient business  
16 model. And again, all of this together is enabling  
17 the economics around payments that, at a certain small  
18 fractions of dollars amounts, used to be -- you  
19 couldn't even fathom making that work. It makes it  
20 much more possible. It has impact not only on that  
21 Internet of things example, but if you think about  
22 financial inclusion in parts of the world where banks  
23 today can't justify the business model to serve  
24 certain populations.

25 If you think about a payment system that's



0026

1 far more efficient, then it opens up possibilities to  
2 do a whole lot of things in developing economies, et  
3 cetera, et cetera. So, we brought to market --  
4 really, we have a portfolio of three products. Our  
5 flagship product is something we call xCurrent. And  
6 that really deals with the bottom two layers of this  
7 stack here. The settlement infrastructure, that's  
8 where we use the Blockchain technology. It's working  
9 between the ledgers of two financial institutions and  
10 integrating at their core ledger, way down in the guts  
11 of the banking infrastructure. And then, ensuring  
12 that there's the cryptography that allows them  
13 certainty that that payment actually settles.

14 So, we do preprocessing and holding of funds  
15 in a way such that we make sure that the -- combined  
16 with the messaging. So, the messaging part is what  
17 replaces what Swift does. But Swift is a (inaudible)  
18 direction messaging, back to the letter in the post  
19 box example. You don't really know. We have a  
20 bidirectional, very robust messaging infrastructure,  
21 so that if you fat finger an account number, you get  
22 information back, like, "No, no. That's the wrong  
23 number."

24 Obviously, if you have a one-way messaging  
25 system, and you put the wrong account number, there's

0027

1 no return path to let you know, "Hey, whoa, don't send  
2 that. We don't have an account that matches that  
3 number."

4 So, this allows the payment processing to  
5 happen. The messaging happens efficiently. The  
6 settlement happens within eight seconds, roughly,  
7 which is a dramatic change from what exists today.  
8 That's the bits and bytes. That's the software we  
9 implement. In addition, we realized pretty quickly  
10 that we're since we're working with financial  
11 institutions, we're trying to create a network. We're  
12 trying to create a whole portfolio of institutions  
13 because they're all going to be transacting with each  
14 other.

15 They need a set of rules and governance in  
16 order to do that efficiently. Or else, then every  
17 time somebody came and joined RippleNet, they'd have  
18 to go create a new bilateral relationship with whoever  
19 their counterparty is. That's a lot of friction in  
20 the system.

21 So, we created a common rule set, working  
22 with our bank partners, that allow them to know that  
23 whenever I sign up with Ripple, everybody else that's



24 signed up with Ripple is operating off of the same  
25 rules. So, it gives me certainty and peace of mind.

0028

1 So, all those things, together, create our first  
2 product.

3 How do we use digital currencies? This is  
4 where, actually, an asset called XRP that we happen to  
5 own quite a bit of and are a big champion of comes  
6 into play. The messaging, the settlement addresses  
7 some big pain points in that cross-border payment  
8 flow. What it doesn't address is liquidity.

9 And by liquidity, it just means are the  
10 funds where they need to be in the right denomination  
11 to actually make that payout. And what happens today  
12 in the correspondent banking system is there is the  
13 need for the sending bank actually to have opened up a  
14 bank account with the receiving bank. It's called a  
15 nostro account, Latin for "our." So, it's our  
16 account. Mine, Wells Fargo, I want to set up an  
17 account with Standard Chartered in Singapore.

18 I actually go, and I put funds in that  
19 nostro account. Wells Fargo parks capital in that  
20 foreign account, waiting for the Wells Fargo customer  
21 to come and say, "Hey, I have a vendor in Southeast  
22 Asia. Take" -- shoot, I should've used Thailand  
23 because I know it's Thai Baht. I forget the currency  
24 in Malaysia. But take the local currency and pay out  
25 that partner.

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1 And of course, Wells Fargo doesn't have to  
2 only do that with Standard Chartered in Singapore. It  
3 has to do that with dozens, if not hundreds, of other  
4 correspondent banking partners around the world.  
5 That's a hugely inefficient use of capital. So, how  
6 can we make that better?

7 So, we have a product called xRapid that  
8 allows banks to avoid that scenario. So, if Wells  
9 Fargo instead holds XRP and the bank in Standard  
10 Chartered in Singapore also deals in XRP, they can  
11 simply send that money over the Blockchain, the XRP  
12 ledger, which is the Blockchain that supports the  
13 currency XRP, in a matter of seconds. And instead of  
14 having to hold currencies in dozens and dozens of  
15 different countries, they are only holding one  
16 currency.

17 And the time required to move money from one  
18 place to other goes down to literally seconds. It's a  
19 dramatic shift in thinking and a dramatic shift in the  
20 demands required of capital needs around the world.  
21 And it addresses, I'd say, the third big pain point

22 associated with cross-border payments.

23 Now, banks are regulated, conservative, and  
24 they're not yet embracing digital currency. So, the  
25 Ripple software works fiat to fiat. You don't need to

0030

1 send digital currency around. You can send US dollars  
2 to Japanese yen, et cetera, et cetera. But the secret  
3 sauce or taking it to the next level is by leveraging  
4 a digital asset to make that transaction much more  
5 efficient. Yes?

6 QUESTION: In your business model, Is it  
7 fair to think of it as a network approach with network  
8 effects? Or are banks or institutions only able to  
9 interact with other institutions on that network?

10 MR. VAN MILTENBURG: Yeah, that's absolutely  
11 right. So, in order to transact with a customer that  
12 has xCurrent, so a core processing, the counterparty  
13 on the other end has to have xCurrent. So, we're in  
14 the process of building what we call RippleNet, the  
15 network of banks. And that rule book that I  
16 referenced governs the entire network. So, the  
17 network is only as valuable as how many nodes in the  
18 network. And so, now we are in network building mode.

19 And I was chatting earlier -- we talked  
20 about how we value now, in terms of our business  
21 model, it's an enterprise software model. There's an  
22 upfront integration fee, subscription fee for every  
23 year. And then, if you hit certain transactions, a  
24 transaction per transaction fee kicks in.

25 We are in a fortunate position where we

0031

1 don't care a whole lot about immediate-term bookings  
2 and revenue. We care a whole lot more about getting  
3 the flywheel moving, getting volume pumping across the  
4 network. Because that means getting the 101st, 110th,  
5 300th bank. It's so much more easier because now, the  
6 value of the network is far more apparent. But we're  
7 in that that network building mode.

8 But again, all of those customers today can  
9 transact and move fiat currency around. They aren't  
10 restricted. I think that's a common misconception  
11 about Ripple, is that we're this XRP Blockchain  
12 company. And yes, we leverage Blockchain technology.  
13 The digital asset is an option. We think it's a  
14 hugely impactful option, but it's probably the next  
15 phase out.

16 We have certain financial institutions,  
17 mostly money transfer businesses, MoneyGram, Western  
18 Union, and smaller versions of them, that are already  
19 doing pilots with this xRapid product, and the

20 reaction is super positive. That's the first wave of  
21 financial institutions that we think will adopt this  
22 before it becomes more prominent.

23 So, a fair question is, "Great, well, you  
24 just said you can move value across the Blockchain.  
25 Why not use Bitcoin? There's more of it. It's the

0032

1 standard, if you will, in terms of market cap and  
2 everything else." I'm a fan of Bitcoin. I think that  
3 the store of value and what it does serves a great  
4 purpose.

5 But when you think about Bitcoin versus XRP  
6 for a specific use case, the one that we're engaged  
7 with, and that's settling real payments. We're a  
8 little biased, but we think that XRP stands out really  
9 well. We use a different way to validate  
10 transactions.

11 Some of you who follow the space at all  
12 knows that Bitcoin leverages something called Proof of  
13 Work, where there's miners around the world that use  
14 tons and tons of compute power to solve a mathematical  
15 puzzle that ultimately validates the transaction. As  
16 a result, you see on the left-hand side, there's some  
17 ramifications of that. To settle a transaction  
18 actually takes a long time. This used to be hours.  
19 When Bitcoin was surging, it was days, and it's down  
20 to 45 minutes. It still goes up and down. I forget  
21 if this was last month, but it's relatively recent.

22 I won't read down the list, but in terms of  
23 transactions, number of transactions, so throughput,  
24 the amount of energy required. Bitcoin makes sense,  
25 but if you're trying to serve that high volume, low

0033

1 value payments use case, it really isn't the asset to  
2 use. It just doesn't line up to enable the right end  
3 user experience and the right economics.

4 And therefore, XRP was developed by the same  
5 folks that founded Ripple. It was actually developed  
6 before Ripple was founded. But they had been early on  
7 in the Bitcoin space, and they saw some of the things  
8 that were deficient about Bitcoin. The scaling  
9 challenges, the energy consumption.

10 And so, they devised a different validation  
11 mechanism called consensus that results in the metrics  
12 you see on the right-hand side that we think lineup  
13 much better for the payments use case. I want to get  
14 through this, so, if there's any questions -- sorry  
15 that I'm taking a while.

16 This is our third product. It's called  
17 xVia. It's really for corporates. So, the list of

18 customers I showed at the start, the Ubers and the  
19 Airbnb's. Right now, they're integrating into dozens  
20 of different banks around the world. xVia gives them  
21 the opportunity to have one API that connects into  
22 RippleNet. And to your question, as RippleNet is  
23 built out, all of their banking relationships will  
24 already be on RippleNet.

25 So, instead of having these bespoke

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1 integrations that are forcing them to invest scarce  
2 resources on something that really isn't their core  
3 competency. They're not payments companies, but  
4 they're, today, required to be more payments companies  
5 than they'd rather be. This is a product that we have  
6 out there that will help address that need.

7 And all of these things, xCurrent, xRapid,  
8 xVia, they all plug into RippleNet. And so, they all  
9 connect with each other. They themselves are  
10 interoperable as one product family. So, what does  
11 this mean for payments? Goodness, it's motherhood and  
12 apple pie. It's cheaper. It deals with this low  
13 value payment reality that's becoming more and more  
14 common in the industry.

15 Exotic corridors, meaning in markets like  
16 U.S. dollar to British pound or euro, those are  
17 currently relatively efficient today, right? The FX  
18 rates between the two result in very thin spreads.  
19 The ability to move money is somewhat efficient.

20 When you're dealing with corridors -- as I  
21 said before, if you're trying to move money from  
22 Canada to Thailand, that currency pair isn't traded as  
23 much. The FX rate hit is far greater. And so, this  
24 approach helps to address that in a pretty material  
25 way.

0035

1 And then, there's that transparency piece,  
2 knowing all throughout the payment lifecycle what's  
3 happening, if there's issues, what the fees are in  
4 advance, confirmation that things are completed, is  
5 all part and parcel of what makes up this solution.

6 I usually get this slide earlier on in the  
7 presentation. I'm not sure why it's here. But the  
8 point here is, there's so many different use cases  
9 that are touted for the Blockchain. If you go to  
10 IBM's, Hyperwallet wiki page, you'll see 144 different  
11 potential use cases for the Blockchain. Our  
12 perspective is if you have 144 use cases, you really  
13 don't have one because you don't have focus.

14 We think the common denominator across all  
15 of that is payments. Most of the things that people

16 point to, smart contracts, trade finance, security,  
17 there's some financial payment aspect involved. And  
18 we, as a company, have stayed really, really focused  
19 on trying to tackle this cross-border use case. We  
20 get a lot of people coming in and saying, "Hey, you  
21 could tweak your product and go after trade finance,"  
22 and they're probably right.

23 We think that it's so easy to get  
24 distracted, especially as a small company, that we've  
25 taken great pains to stay laser focused on the

0036

1 cross-border payments use case. That isn't to say  
2 that over time, we might move into the other areas.  
3 But we feel really good about if we can solve this,  
4 this payments use case and really get broad adoption  
5 and people buying into the fact that this  
6 interoperability driven by the interledger protocol  
7 that I mentioned is the de facto standard, we're well  
8 set up to do more.

9 And that's it. We think the internet of  
10 values is really that third piece of the puzzle that's  
11 going to drive a major change in FinTech and Finance.  
12 And with that, if you have questions, I'm happy to try  
13 to answer them. Yeah?

14 QUESTION: One reason for the (inaudible) of  
15 cross-border payment is due to those correspondent  
16 banks (inaudible) anti-money laundering. So, how do  
17 your network address this part of it?

18 MR. VAN MILTENBURG: That reality still  
19 exists and will exist. So, a couple of things. So,  
20 again, when you deal with moving money around the  
21 world, especially in this day and age, anti-money  
22 laundering, looking for entities or companies that are  
23 under OFAC sanctions or the terrorist watchlist, it's  
24 serious business. And no matter how nimble and  
25 entrepreneur you want to be, you can't get around

0037

1 that.

2 And we actually hire a -- we have a team  
3 of -- and it may not sound like a lot, but for a  
4 company of 200, we probably have a dozen people in our  
5 regulatory and compliance group. We work closely with  
6 banks. There are counterparties at the banks to try  
7 to make those processes more efficient.

8 Our integrations are not quick. And it's  
9 this part of the heavy lifting of building the  
10 network. It'll take six to 12 weeks to actually  
11 implement the Ripple solution. And we are working to  
12 make sure that we're going through those checks. It  
13 is one of those things that you can't get around, nor

14 do we want to.

15 One thing, on this note, that I think is  
16 important. We're viewed, as some of you who follow  
17 Ripple might know this, we're viewed in the broader  
18 Blockchain, Bitcoin space as a bit of a sellout, to  
19 be perfectly honest.

20 So, the Blockchain is all about being  
21 anarchistic, right? "Down with the man, down with  
22 governments, down with big companies, down with banks.  
23 They're the central counterparty that is taking our  
24 stuff or charging usurious rates."

25 We believe that the Blockchain revolution,

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1 what we're doing actually works from -- revolution  
2 from within, rather than from out. We want to work  
3 with banks, and regulators, and governments to be more  
4 efficient. And we invest a lot of time in doing so.

5 Now, we get a lot of arrows because of that  
6 because we're sellouts. And it's ironic. In a  
7 contrarian movement, we're the contrarians. We're not  
8 going with the flow. But we believe strongly in the  
9 impact, and it's the right approach.

10 I don't know if I exactly addressed your  
11 question. But I think we take it super seriously.  
12 And we invest a lot of time money to sit down with  
13 banks and make sure that we're working with them  
14 versus trying to disintermediate them and trying to  
15 skirt around the government or the regulators.

16 We think that the digital asset space should  
17 be regulated, but it should be done in an intelligent  
18 way that it helps to preserve the innovation while  
19 protecting that. As opposed to just the proverbial  
20 throwing the baby out with the bathwater, and just  
21 overly regulate and really restrict innovation. Yeah?

22 QUESTION: If there's a lot of money made in  
23 those inefficiencies by a lot of really important  
24 actors.

25 MR. VAN MILTENBURG: Yeah.

0039

1 QUESTION: Some of which you're trying to  
2 bundle together in this network.

3 MR. VAN MILTENBURG: Yep.

4 QUESTION: How do you guys manage that  
5 tension?

6 MR. VAN MILTENBURG: Yeah, that's a great  
7 question. As in most areas, the money's made  
8 disproportionately by the biggest of the big. So,  
9 when you think about the correspondent banking  
10 ecosystem, and by far, I don't pretend to be a deep  
11 expert. But it's the companies at the top of the food

12 chain that tend to make the most.

13 It's the city's the HSBCs, the Bank of  
14 America, Merrill Lynch's of the world. Because if you  
15 think about that daisy chain of correspondent banks,  
16 there's somebody at the top, and they're the ones that  
17 are disproportionately benefiting from those  
18 inefficiencies. It's the innovators dilemma.

19 So, our approach is to look maybe at a  
20 layer, if not two layers, down. Because there's other  
21 banks. And I was talking earlier that we have a  
22 banking partner in Santander, which maybe isn't a  
23 worldwide known name, but it's a major super regional  
24 bank. Standard Chartered. A regional bank like Siam  
25 Commercial Bank in Thailand, they're not making the

0040

1 same money. In fact, they're paying fees up the food  
2 chain to the cities in the HSBCs of the world.

3 So, our approach, and we'll see if we're  
4 right, is to go and serve those folks really well.  
5 They're very motivated to find new ways to address  
6 this problem. And our bet is -- now, certainly, we  
7 want the cities and the HSBCs to be Ripple customers  
8 as well. One, they move super slowly. And to your  
9 point, they want to take meetings with us and get all  
10 the information they can, but they're not that serious  
11 about implementing our solution.

12 We'll come back to them later, once we have  
13 what we hope is a critical mass of some of these. And  
14 there's plenty of them. There's 1000s and 1000s of  
15 banks that are at that next layer or two layers down.  
16 Yeah?

17 QUESTION: Back to your analogy of the xRapid  
18 where I'm moving, let's say, Canadian dollars to  
19 Malaysia. If my bank in Canada is converting Canadian  
20 dollars to XRP and then, sending XRP. And then, my  
21 bank in Malaysia is taking the XRP --

22 MR. VAN MILTENBURG: That's exactly right.

23 QUESTION: Malaysian currency. Where does the  
24 FX rate get set, and who sets it? How do you guys  
25 think about that in a country where there is no coin

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1 base and no big exchange to set?

2 MR. VAN MILTENBURG: Yeah, no. And that's  
3 absolutely right. There's a progress. So, currently,  
4 what we do is we do work in corridors where there is  
5 market makers like that. So, our first quarter, maybe  
6 not surprisingly, for xRapid is US, Mexico. So,  
7 there's a small money service business called Qualix,  
8 based in Texas. And they serve Mexican workers that  
9 are sending funds back home to their family in Mexico.



10 So, what happens is, we have relationships  
11 that we've helped coordinate with exchanges on both  
12 sides of that transaction. So, the US, it's Bitstamp.  
13 And in Mexico, it's Bitso, both digital asset  
14 exchanges. So, they're setting the rates.

15 So, in some ways, it alleviates the need for  
16 Qualix, the financial institution in this case, to  
17 even hold XRP. They simply go. The risk is then  
18 absorbed by the digital exchange. That's their  
19 business, right? They're making markets. They know  
20 exchange rates. And there's a fee involved with that.

21 But they will give, or they may have a U.S.  
22 dollar account at Bitstamp. They'll say, "Hey,  
23 Bitstamp, send \$1,000 worth of pesos to this account  
24 in Mexico." Bitstamp converts at the spot rate. It  
25 moves over the XRP Ledger in eight seconds. It gets

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1 converted by Bitso on the other end into peso at the  
2 spot rate, and then, goes out on local rails to the  
3 ultimate bank account of the recipient.

4 All of that takes -- because there's bank  
5 processes on either end that we can't fully control.  
6 It takes about ten minutes, which used to be three  
7 days. And we've been told that the overall rate that  
8 they're seeing is 20 some odd basis points less than  
9 they would've seen otherwise. Even taking into  
10 account FX fluctuations, et cetera, et cetera.

11 QUESTION: Does Ripple set the exchange that  
12 the banks are using, or do the banks get to decide  
13 what which exchange they want to --

14 MR. VAN MILTENBURG: Currently, what we do  
15 is, we're building the markets. A core thing, since  
16 we're in the early stages, is just liquidity of XRP.  
17 So, XRP is a digital asset. Trains only so much a  
18 day. And not only is daily volume important, but it's  
19 daily volume within the corridor in question. Because  
20 there has to be enough liquidity and XRP on either end  
21 of that trade for it to go through.

22 So, we're in the early stages, right? So,  
23 they've done a pilot. They love it. We're going to  
24 production with them this quarter. I think all  
25 transactions are still less than 3,000 U.S. dollars.

0043

1 But this is building -- in some ways, liquidity begets  
2 liquidity. Once trading volume starts to happen, it  
3 happens more frequently and with more depth.

4 So, we are not at a stage where xRapid will  
5 be launched globally, worldwide. We're being very  
6 thoughtful about the progression and making sure that  
7 we're setting up the market, setting up the



8 relationships. Indefinitely over time, it'll be with  
9 more than one exchange to ensure that banks have  
10 options and that those trades happen with the intended  
11 results.

12 And that's why -- it's funny because right  
13 now, I think most people know that the activity that's  
14 happening with digital assets is almost all  
15 speculation, right? There's very little real use  
16 case. And we would think that this xRapid example is  
17 one of the first true use cases for that.

18 It's an infinitesimal amount of the trading  
19 volume that happens each day. I've had people say,  
20 "Well, don't you think that the speculative volume  
21 that's being created is harmful?" And at some level,  
22 yes. It's very risky. We don't want people to go and  
23 spend their life savings.

24 But in making a market in a currency like  
25 this, it's a necessary first step. You need to prime

0044

1 the pump and get volume started. So, it starts  
2 building initial volume. And then, certainly, we  
3 think that the more commercial, specific use case  
4 volume will grow from there and create much more  
5 robust markets. I'm going to go back and forth, but  
6 I'll come back to you. Yes?

7 QUESTION: What I'm curious to know is what  
8 Ripple thinks about other digital assets that might  
9 serve as competition, like Stellar Lumens or competing  
10 against the Swift system. How you guys are poised to  
11 try and combat those types of competitors.

12 MR. VAN MILTENBURG: Yeah, yeah. So,  
13 Stellar is another digital asset. We actually have  
14 some common DNA there. The founder of Stellar was one  
15 of the cofounders of Ripple back in the day. He went  
16 off, and had a different concept, and created Stellar  
17 Oregon and Lumens as a digital asset. And not  
18 surprisingly because he took the XRP ledger base  
19 concept and code. There's a lot of similarities  
20 there.

21 They're doing good work. In terms of the  
22 maturation of their technology and working with banks  
23 in the same way, what I described in terms of those  
24 product sets, the rule book, et cetera, et cetera, it  
25 didn't happen overnight. Ripple has actually been

0045

1 around for five years, and we've had a commercial  
2 product probably for the last two.

3 And there's a lot of heavy lifting and a lot  
4 of, frankly, scar tissue along the way of mistakes  
5 made with banks and whatnot. We have a team of 200

6 people. We've recruited some pretty amazing  
7 engineers. So, nothing's guaranteed, but I feel that  
8 in terms of where we are in our evolution, we're a  
9 little further down the development cycle. And it's  
10 not that you can easily short circuit that.

11 There are just some -- especially when  
12 you're working with banks and regulatory agencies,  
13 those things don't get accelerated quickly. You need  
14 to go through the process and build it. So, I think  
15 they're super credible. But no, we don't intend to  
16 slow down anytime soon and feel pretty good about how  
17 that will play out. Maybe one more because I know  
18 we're running out of time.

19 QUESTION: I guess for emerging markets,  
20 sometimes I see payments in terms of a problem as more  
21 with culture of taking these digital assets rather  
22 than necessarily --

23 (End of video file.)

24 \* \* \* \* \*

25  
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Interview with Brad Garlinghouse, 6/4/2018, via Money2020

<https://www.youtube.com/watch?v=spnyTugDnmE>



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0002

1 P R O C E E D I N G S  
2 Interview Brad Garlinghouse, CEO of Ripple at  
3 Money2020 - YouTube  
4 MR. GARLINGHOUSE: We, as one participant in  
5 the XRP ecosystem, we use XRP as a tool to fund that  
6 real-time liquidity. So, we're one of, you know, may  
7 participants, and we're not the only.  
8 MR. TAYLOR: You have a lot of XRP.  
9 MR. GARLINGHOUSE: We do own a lot of XRP.  
10 So, some of the earliest participants in the XRP  
11 ecosystem, the creators of the XRP token, granted 80  
12 percent to Ripple the Company, with the idea that a  
13 company would be able to focus and invest in to build  
14 out that ecosystem more effectively. So, Ripple today  
15 owns about 60 percent of XRP.  
16 We continue to use it as -- in ways for  
17 various incentives to drive that ecosystem. We've  
18 announced a number of different programs around the  
19 world, ranging from accelerated -- accelerated programs  
20 to get customer adoption. I compared this, when you and  
21 I were speaking earlier, to, you know, PayPal (break in  
22 audio) \$5.00 in your account, or even more.  
23 MR. TAYLOR: Well, and (inaudible) haven't

24 been known to fund (inaudible) here and there, now and  
25 then.

0003

1 MR. GARLINGHOUSE: Sure.

2 MR. TAYLOR: You've spent quite a lot on  
3 moxing (phonetic). So, it's not surprising that you  
4 were able to use that for those things. Now, let's get  
5 to the function that actually serves for liquidity.  
6 If I now have this asset that's native to this shared  
7 ledger, in other words, where on a network have --  
8 there's an asset that's native to that ledger.  
9 Everything effectively, between all of the accounts  
10 (inaudible) on that ledger becomes a buck transfer.

11 MR. GARLINGHOUSE: Correct.

12 MR. TAYLOR: So, it happens real-time and  
13 immediately. I've got this digital asset that can only  
14 be in one account or the other. It's almost as if  
15 (inaudible) to reconciled with a -- with almost a power  
16 instrument, which is getting really nerdy. But, it's  
17 Money20/20. Let's do this.

18 So, if I understood that right, is that how it  
19 works?

20 MR. GARLINGHOUSE: Yes.

21 MR. TAYLOR: So, do I have account policy risk  
22 against any organization if I'm holding XRP?

23 MR. GARLINGHOUSE: No.

24 MR. TAYLOR: So, it is more like -- it's more  
25 like a commodity in that sense?

0004

1 MR. GARLINGHOUSE: That's exactly right. You  
2 know, I'll describe it simply. And I know we're money  
3 2020, but I think it's even here useful to understand.  
4 If I am -- and I'll use a payment product like Western  
5 Union. If I -- if Western Union -- I hold -- I hold a  
6 Euro today and I want to enable liquidity in a Mexican  
7 peso, I can sell my euro, by XRP. That takes fractions  
8 of a second.

9 I can move the XRP to a digital asset exchange  
10 in Mexico, like Bitso. That takes about three seconds.  
11 I can then sell the XRP and buy Mexican pesos.

12 MR. TAYLOR: Does that not scare some banks  
13 though that have this sort of, "Ooh, cryptocurrency is  
14 evil," type of --

15 MR. GARLINGHOUSE: I mean the answer to that  
16 is yes. But, I also think that's an example of the  
17 misinformation that exists out there. If you think  
18 about it, once I explain -- you know, I spent a fair bit  
19 of my time talking to regulators around the world,  
20 about, you know, how we are using this, because Ripple  
21 has been relatively unique in that we are not trying to

22 disrupt governments.

23 We're not trying to disrupt central banks.

24 We're working with governments and with central banks.

25 Once you explain to regulators and customers and say,

0005

1 "The scary part of the crypto isn't really scary.

2 You're going from a KYCed account in euro denominations

3 to a KYCed account in Mexican peso denominations, both

4 regulated end points. You're not circumventing any

5 regulation."

6 You're -- each transaction is being checked

7 for AML, you know, various acronyms that many people in

8 Money20/20 know well.

9 MR. TAYLOR: So, do you think then that banks  
10 will get more and more comfortable with XRP over time?

11 Is anybody actively live using XRP that is a regulated

12 bank that you would give as an example to the audience

13 of like, "There is a business case here for using this

14 stuff"?

15 MR. GARLINGHOUSE: Well, so we have

16 publicly -- we have publicly shared that we're working

17 with a number of payment providers. I think we've

18 announced seven different payment providers using xRapid

19 today, names like Western Union and Money Gram that are

20 piloting this and demonstrating.

21 We're seeing a savings between 40 and 70

22 percent, compared to their existing cost structure. So,

23 when people ask me, you know, "Are banks, not just

24 payment providers, going to use these technologies?" I

25 usually start with just, banks are capitalistic

0006

1 organizations.

2 If you can give them a better product at a

3 lower price, the question would be, "Why wouldn't they

4 use it?"

5 MR. TAYLOR: Well, I wonder if there's

6 something about the comfortable existing environment, in

7 which you have these flow monsters who control the major

8 currency pairs in the major corridors. Like, what is

9 their incentive to change?

10 MR. GARLINGHOUSE: Well, the flow monsters,

11 using your word --

12 MR. TAYLOR: Yeah.

13 MR. GARLINGHOUSE: Yes, you know, many people

14 ask me, "Well, wait a minute. I thought banks make

15 money from these transactions." And that is true.

16 However, it's a very small percentage of banks that sit

17 at the top of that oligopoly.

18 MR. TAYLOR: Yes.

19 MR. GARLINGHOUSE: And there are banks that --

20 you know, some of them you used to work for, HSBC, or  
21 City, like some of the biggest of the big. You know,  
22 last year, I think City's profits from cross-boarding  
23 transactions, as one of the largest liquidity providers  
24 on the planet, was around \$6 billion U.S. That's real  
25 money.

0007

1 Now --

2 MR. TAYLOR: Yeah.

3 MR. GARLINGHOUSE: -- that's coming from other  
4 banks. They're -- other banks are paying City to enable  
5 their liquidity, to take advantage of City's very broad  
6 nostro vostro relationships, such that they can fund  
7 liquidity into Mexico or Argentina or the Philippines.

8 MR. TAYLOR: So, if we could get to the point  
9 where XRP is something that we could imagine our  
10 compliance team signing up for, and we can get the  
11 regulators there -- which I think is arguably starting  
12 to happen -- the next question comes like, "Isn't this a  
13 very centralized network? Like, why are you using DLT  
14 in the first place? Why are you using block chain?"  
15 Like, if it's just Ripple I'm buying the product from,  
16 and Ripple are the people operating most of the network,  
17 surely then, I -- you might as well have just built  
18 Google payment system, right?

19 MR. GARLINGHOUSE: Right. Well, and back to,  
20 like the difference between XRP, the XRP ledger, and  
21 Ripple the Company, the XRP ledger is an open source  
22 technology. And we don't control it. Ripple is a  
23 vertical company building upon that XRP ledger.

24 MR. TAYLOR: You say you don't control it, but  
25 you run most of it, right? And is that ever going to

0008

1 change?

2 MR. GARLINGHOUSE: Well, we don't -- we  
3 already don't run most of it today. There are more and  
4 more validators that run across the network.

5 MR. TAYLOR: (Inaudible) check. Validators?

6 MR. GARLINGHOUSE: Validators are the, kind  
7 of, infrastructure for how the XRP ledger verifies  
8 transactions.

9 MR. TAYLOR: Got it.

10 MR. GARLINGHOUSE: One of the big differences  
11 between the XRP ledger and a bitcoin ledger is the idea  
12 of proof of work, as opposed to consensus, which I'll  
13 maybe gloss over for simplicity.

14 The big difference there, it being, kind of  
15 driven by power consumption and ability to scale very,  
16 very -- I think I said earlier, an XRP transaction's  
17 about a thousand times faster than a bitcoin transaction



18 and a thousand times cheaper than a bitcoin transaction.  
19 MR. TAYLOR: That's pretty good going. So, if  
20 we're in a position now where, okay, we can see that the  
21 compliance teams might sign off on it, and it's arguably  
22 no less centralized as it used to be, how do you  
23 incentivize people to start working with this  
24 technology? I think you had an announcement about  
25 academia?

0009

1 MR. GARLINGHOUSE: We do have an announcement  
2 today, which we haven't yet shared publicly. Ripple is  
3 announcing today that we're working with 17 universities  
4 around the world, and we're contributing \$50 million to  
5 fund the development, to fund the research around block  
6 chain technologies.

7 These universities range from right here in  
8 the Netherlands, University of Delft, as well as in  
9 London, UCL, Princeton, the University of Pennsylvania,  
10 Wharton. And you know, working with these universities  
11 around the world to not just further what we're doing  
12 with XRP, but really the entire ecosystem.

13 I think Ripple has tried to foster a dynamic  
14 where there are going to be many, many, many different  
15 solutions in this space and all boats can rise. By  
16 contributing \$50 million to, you know, these 17  
17 universities globally, we think we can continue to build  
18 towards that.

19 MR. TAYLOR: I think that's an interesting  
20 tact that I'm seeing in a number of large organizations  
21 now that have had their own digital asset make some  
22 money. Now, (inaudible) we saw Binance and several  
23 others have started to do the same.

24 You know, so what do you see coming out of  
25 these sorts of initiatives with academia and the

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1 accelerators? Is this really to grow an ecosystem  
2 around it, and is it just for small companies, or can  
3 anyone get involved?

4 MR. GARLINGHOUSE: Well, I think you're seeing  
5 any company getting involved. I mean, it is -- it is  
6 very broad, I think, at this point. And, you know, I  
7 think the reason for this is what we talked about  
8 earlier.

9 We're at the, almost embryonic stage of an  
10 entirely new platform. And, you know, some of the  
11 technologies we talk about today, I think, in the  
12 future, you know, we'll think about them the way we  
13 think about TCIP or SMTP.

14 And these are technologies that will  
15 fundamentally enable a whole bunch of different kinds of

16 transactions. And I think all of those across the board  
17 can make our global financial system far more efficient.  
18 And frankly, one of the things I get excited about is,  
19 when we talk about these payments, the people who pay --  
20 are taxed the most for remittances are the people who  
21 can least afford to pay it. And so, when I think about  
22 what Ripple's technology is enabling, it's exposing  
23 people in unbanked community to solutions that they can  
24 actually start to afford and participate in the global  
25 financial ecosystem.

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1 MR. TAYLOR: If anybody hasn't seen it, look  
2 up Moduloop (phonetic), a really interesting project  
3 done by the Gates Foundation, working with TELCOs in --  
4 I think it's in the Sub-Saharan African region, trying  
5 to work with intelligent protocol, which is sort of an  
6 open source protocol that you guys, kind of put out into  
7 the open and said, "Let's get the interoperability  
8 between these TELCOs working. And then, some day later,  
9 we'll think about if Ripple makes sense for them."

10 So, you find yourself in this interesting  
11 world, with kind of one foot in the crypto-asset space,  
12 with one foot in financial services. But, it's fair to  
13 say, you know, looking at the last report that came in  
14 from yourselves -- I think it's Q1 -- \$170 million made  
15 from selling XRP.

16 Arguably, once you guys sold it, it was then  
17 on secondary markets in, sort of, crypto-asset exchanges  
18 and cryptocurrency exchanges. Can you see why a bank  
19 might look at that and go, "Well, if I have to use this  
20 ledger and this asset, am I going to have price  
21 stability in this asset?"

22 Is it - is it being sold to retail investors,  
23 and -- not that you guys are doing it, but is it --

24 MR. GARLINGHOUSE: Yeah.

25 MR. TAYLOR: -- being sold to them? Is there

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1 a challenge there that you think, and how would you,  
2 kind of, overcome that?

3 MR. GARLINGHOUSE: Well, I think one of the  
4 first misinformations that I often overcome when we're  
5 talking about xRapid can be used. They've got something  
6 going on back there.

7 MR. TAYLOR: Yeah, I know, like (inaudible).  
8 Let's get down.

9 MR. GARLINGHOUSE: It's this idea of, "Hey,  
10 there's too much volatility for it to solve a real  
11 banking problem." And it turns out that there's more  
12 volatility risk using Swift over that 180,000 seconds  
13 than there is using XRP over three seconds.

14 MR. TAYLOR: Oh.

15 MR. GARLINGHOUSE: And the reason is because  
16 volatility is a function of both time and volatility.  
17 And so, while XRP is clearly more volatile than Fiat  
18 today, it doesn't actually have the volatility risk over  
19 it because it's so fast.

20 So, I think -- again, it's one of those pieces  
21 that I think is often misinformation, that it's not a  
22 real factor right now.

23 MR. TAYLOR: Which is a solid answer. And  
24 then, the optics around -- yes, you've committed  
25 publicly and transparently disclosing how you're selling

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1 all this XRP you were gifted. But, if that's -- you  
2 know, should mom and pop be buying XRP, or is this for  
3 professional bastards?

4 MR. GARLINGHOUSE: You know, we are focused  
5 very much on solving the institutional problem. I think  
6 from the earliest days of Ripple, we've looked at --  
7 like, our core customer is a bank.

8 You and I talked about earlier, one of the  
9 most prominent, kind of, events we attend each year is  
10 Sibos.

11 MR. TAYLOR: Yes.

12 MR. GARLINGHOUSE: And Sibos is, you know, and  
13 to --

14 MR. TAYLOR: (Inaudible)?

15 MR. GARLINGHOUSE: -- Money20/20 as well.  
16 Right. And, you know, we're trying to solve that  
17 institutional problem. Clearly, you have speculative  
18 interest in what people are doing across the XRP  
19 ecosystem and others, and so they want to participate in  
20 that.

21 We care about liquidity. The most important  
22 thing for us, as we think about the success of our  
23 products, is the liquidity that -- if you're going to  
24 use xRapid, and there's no liquidity between XRP and a  
25 Philippine peso, well, that's a problem.

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1 So, we think about, "How do we enable  
2 liquidity, working with market makers, bringing  
3 institutions to bear, to really get that --

4 MR. TAYLOR: This is the money (inaudible).

5 MR. GARLINGHOUSE: -- five year (inaudible).

6 For -- well, it benefits from both institutional capital  
7 as well as the speculator --

8 MR. TAYLOR: Yeah.

9 MR. GARLINGHOUSE: -- that participates. I  
10 will also just digress briefly, I think it's interesting  
11 to note that two years ago, the crypto community was

12 really talking a lot about, you know, the usage of  
13 anonymous transactions for enabling drugs, what have  
14 you, on Silk Road.

15 Today, we've actually come a long way and now  
16 we're talking about the speculative interests. Now, on  
17 one hand, I wish that we could keep going to that, "Hey,  
18 let's solve real problems for real customers." We're  
19 getting there. We've come a long way from Silk Road.

20 MR. TAYLOR: It's a long way in front of us as  
21 well, I'm sure. But, it's really interesting that this  
22 is kind of all starting to come together with your  
23 announcement today of funding academia, because maybe  
24 that professional researcher piece has kind of been  
25 missing.

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1 But, we're up against it on time, so before I  
2 let this audience go -- and thank you -- would you  
3 remind us where we can find out more about Ripple and  
4 yourself?

5 MR. GARLINGHOUSE: Ripple.com is probably the  
6 best place to find it. As I said, the announcement made  
7 today with academia, you know, there are 4,500 job  
8 openings today on LinkedIn, using either block chain or  
9 crypto. We think this really is the workforce of the  
10 future, and we're excited to be able to work with the  
11 universities around the world to catalyze that.

12 MR. TAYLOR: Brad Garlinghouse, CEO of Ripple.  
13 Thank you so much.

14 MR. GARLINGHOUSE: Thank you very much.  
15 (End of video.)  
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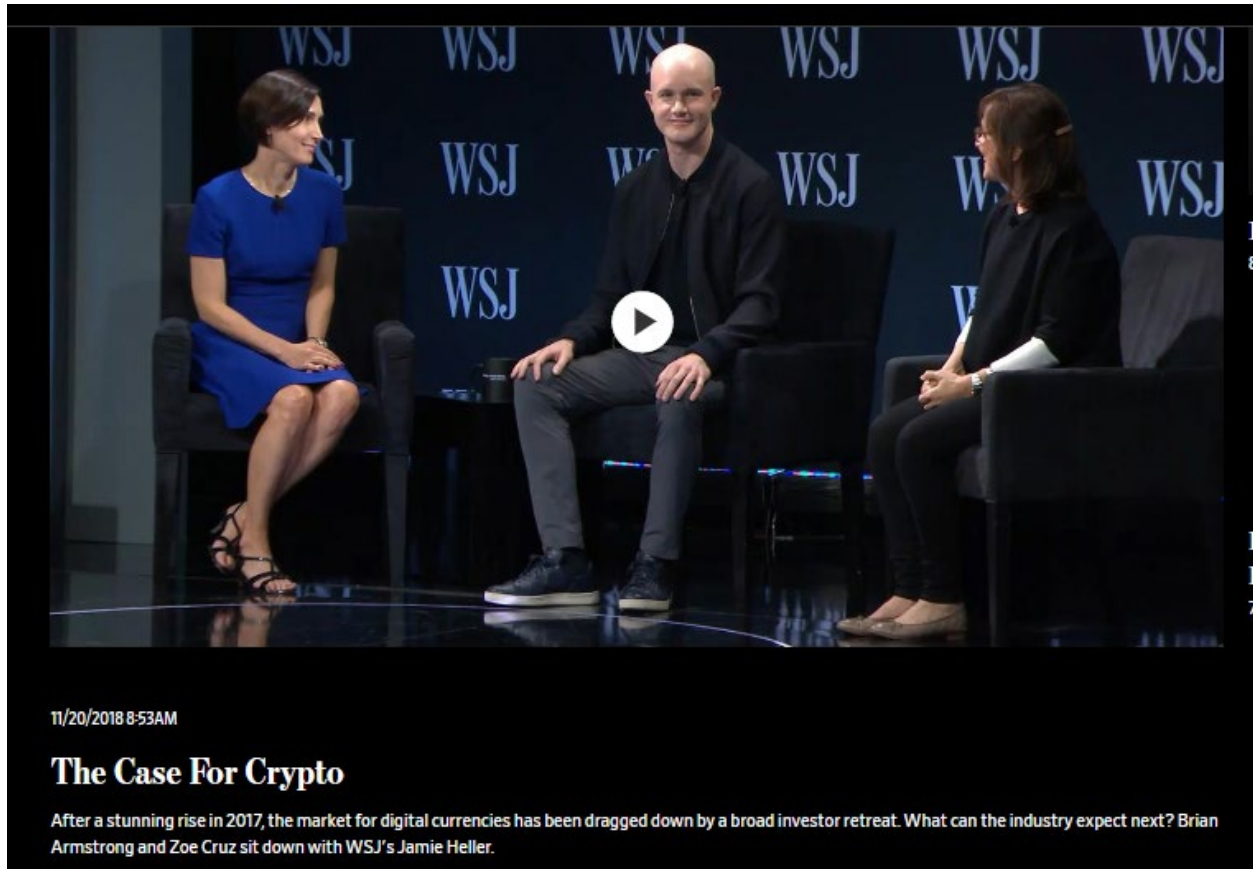
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Interview with Brian Armstrong and Zoe Cruz, 11/20/2018, via Wall Street Journal

<https://www.wsj.com/video/events/the-case-for-crypto/45E047A1-3A24-44C1-80A7-BC8F85105839.html>



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1 THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
2  
3 In the Matter of: )  
4 ) File No. NY-09875-A  
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8 PAGES: 1 through 24  
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1 P R O C E E D I N G S

2 03 - The Case for Crypto

3 MS. HELLER: Brian and Zoe thank you so much  
4 for being here. Hello, everybody. Tough year for  
5 cryptocurrencies Brian, and you run one of the biggest  
6 exchanges. How are you holding up?

7 MR. ARMSTRONG: Well I've been in  
8 cryptocurrency about seven years now. And it keeps  
9 going through these cycles where you have a major run up  
10 in the price, and then it corrects down a little bit,  
11 but it's at a new plateau. And it seems to keep doing  
12 that every couple of years.

13 And so, this last run up that happened in  
14 2017, and then in the correction was not really  
15 unexpected for us. I think that every time it has that  
16 big run up, there's a whole new wave of people out there  
17 who figure out about, you know, who find out about  
18 cryptocurrency and get involved in it.

19 And so, when it corrects back, I actually like  
20 those periods a little bit better, because during the  
21 bubbles, that kind of all these people rush in who are  
22 trying to do some get rich quick business or something.  
23 And in the correction periods, it gives us a chance to



24 just put our head down, keep building good products, and  
25 help the company go forward and prepare for the next

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1 wave of adoption. So, that's how it's been in the last  
2 year so far.

3 MS. HELLER: Zoe, you've also been in, in this  
4 business for around a year or so. Also came in to the  
5 board of Ripple, which is an enterprise technology  
6 company that also owns XRP currency. And you also came  
7 in, kind of at the, at the top. And so, a year later,  
8 are you more bullish or bearish on the whole enterprise?

9 MS. CRUZ: So, I am much more bullish on the  
10 whole ecosystem.

11 MS. HELLER: Okay.

12 MS. CRUZ: I think anyone who will tell you  
13 where XRP or Bitcoin or any of these things are going to  
14 go next is, your judgment is as good as theirs, frankly.  
15 But I think crypto assets are going to be a very  
16 meaningful part of the way we do things. And blockchain  
17 technology, it sounds like sound bites, but I do believe  
18 that I went from when I got the call from the  
19 headhunters say, I'm not interested, to actually the  
20 more I read, you're going to this vortex have the more  
21 you read, the more you need to read, where I feel this  
22 is something very big.

23 MS. HELLER: And what is this very big? I  
24 mean, that's been talked very big, very big, very big.  
25 But where's the, where's the proof? What is it?

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1 MS. CRUZ: It's a fair question. So, people  
2 conflate a lot of things. And there a lot of false  
3 prophets out there, frankly. But blockchain technology  
4 is something that actually will revolutionize a lot of  
5 processes, a lot of things. And you I mean, all of us  
6 read some of those things, candidates.

7 The digital currency, XRP in this case,  
8 Bitcoin or any of those crypto assets, you need to truly  
9 revolutionize the payment system. And when I used to  
10 call both my old firm Morgan Stanley to say, I've joined  
11 the board of Ripple, and can they educate me as to how  
12 they view that world? And what Morgan Stanley and  
13 others would say, what problem are you solving?

14 And actually, the cross-border payment  
15 problem? I mean, there are different problems you would  
16 be solving with different applications. And that's why  
17 I think you can't get into religious discussions where  
18 it's either Bitcoin or XRP or Ethereum. There will be  
19 room for 10, 20 different crypto currencies that will  
20 actually serve different needs.

21 MS. HELLER: But Morgan Stanley says to you,

22 what problem is it solving? Brian, does Wall Street get  
23 it?

24 MR. ARMSTRONG: You know, I think  
25 cryptocurrency has a lot of potential good to do for the  
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1 world. And, you know, the traditional financial system  
2 today does leave a lot to be desired, right? I mean,  
3 payments are slow, they're expensive. It's not  
4 accessible to everybody around the world. There's,  
5 there's 1.8 billion people who don't have access to  
6 financial services at all.

7 So, I do think that cryptocurrency is going to  
8 start to drive innovation in the financial sector, which  
9 has been lagging a little bit to date. And many of the  
10 traditional financial players will begin to adopt  
11 cryptocurrency and blockchain technology, so many of  
12 them will come along with it. At the same time, a whole  
13 bunch of new companies, and Coinbase being one of them,  
14 are going to get created on this new technology  
15 revolution and drive that change throughout the world.

16 MS. HELLER: So, is the resistance that we're  
17 hearing here, and now we're seeing is, is it entrenched  
18 interest? Is it fear, is it that this technology is  
19 really far from actually being workable? Does it have a  
20 lot of problems? Like how real or how agenda is that  
21 resistance, Zoe?

22 MS. CRUZ: Again, people conflate a lot of  
23 different things when they say what problem you're  
24 solving. So, one problem you would be solving and what  
25 the rails as Brad Garlinghouse calls it is --

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1 MS. HELLER: That's your CEO right?

2 MS. CRUZ: Yes, of Ripple. Is cross border  
3 payments. Now cross border payment is \$170 trillion  
4 worth of value annually, moves around the world, that's  
5 a big problem, you will see --

6 MS. HELLER: She used to be an FX trader, so  
7 she knows what she's talking about.

8 MS. CRUZ: That's a big problem you're  
9 solving. And so, to use, to borrow, Google X's language  
10 moonshot is basically solving a very big problem in a  
11 very radical way with radical technology. So, that's  
12 one problem you're solving. Store of value. Bitcoin,  
13 obviously, is a very good candidate for that. But  
14 people --

15 MS. HELLER: What is this thing? What is this  
16 free store value? Doesn't that just mean -- it's  
17 nothing. It's like, what is it? There's no dividend?  
18 There's no interest payment. There's no earnings, like,  
19 what does that mean? Is that just a jargon for go for

20 it?

21 MS. CRUZ: No, no, Brian, if you want to take  
22 this.

23 MR. ARMSTRONG: I mean, so cryptocurrencies  
24 have a couple of different use cases, right. There's  
25 some people are using it as an investment. Some people

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1 were using it in the utility phase, you can --

2 MS. HELLER: But not many are in the  
3 utilities?

4 MR. ARMSTRONG: Yeah, it's still probably 90%  
5 investment. And you could say that similarly, right,  
6 you know, when are you looking for volatility? Those  
7 are, those are the people in the investment phase,  
8 right.

9 MS. HELLER: And let's just say, the people  
10 who flock to that volatility was at a time when there  
11 was very other little volatility in the market, right?  
12 I mean, it means something different.

13 MR. ARMSTRONG: Right. And people who want to  
14 use it for utility, like paying for goods and services,  
15 you know, the medium of exchange instead of store value.  
16 They're, they're looking for stability. And so, that  
17 gets into stable coins, which are now being created in  
18 cryptocurrency as well. So, cryptocurrency --

19 MS. HELLER: Well let's talk about that,  
20 because that's a new thing --

21 MR. ARMSTRONG: Yeah.

22 MS. HELLER: -- you just, you just added to  
23 your, your offerings, can you say what that is?

24 MR. ARMSTRONG: Sure. So, you know,  
25 cryptocurrency has had this volatility and people --

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1 investors liked it, but the utility phase, as you  
2 pointed out, is still the minority of the people using  
3 crypto.

4 So, Coinbase along with Circle another crypto  
5 company, we created this consortium called Center. And  
6 we released a stable coin. Which is really simple.  
7 It's, it's a, it's called a USD coin. It's really just  
8 backed by a dollar in a bank account in the United  
9 States. It's auditable.

10 And so, that's nice for a few reasons. One is  
11 that cryptocurrency now has a stable asset which can be  
12 used in commerce. The second thing is that this is a  
13 programmable dollar, which is better than a dollar in a  
14 bank account, because you can start to use it in smart  
15 contracts. And people in countries that don't have  
16 access to US bank accounts can also have USD coin as a  
17 stable currency.

18 MS. HELLER: So, it's, it's pretty similar to  
19 a dollar and the whole point is it's not supposed to be  
20 as volatile as bitcoin, and how much interest have you  
21 seen?

22 MR. ARMSTRONG: Well, it's just getting  
23 started. We've only had it out about three weeks. So,  
24 I don't have any big numbers to share with you today.  
25 But there's certainly been people kicking the tires on

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1 stable coins here in the early days.

2 MS. HELLER: Now, you have a handful of  
3 currencies, and you just added BAT also, right?

4 MR. ARMSTRONG: Uh-huh.

5 MS. HELLER: And what about Zoe's currency,  
6 XRP? That one seems to be not, not welcome on Coinbase?

7 MR. ARMSTRONG: Well, so I'm not going to talk  
8 about any assets we may or may not add, because there's  
9 material nonpublic information rules about that. But I  
10 will go back to something you said earlier, actually.  
11 You were asking -- you mentioned this idea of hesitation  
12 from institutions coming in the space.

13 We haven't really seen that. In fact,  
14 institutions, especially --

15 MS. HELLER: What about Jamie Diamond? He's  
16 actually --

17 MR. ARMSTRONG: Have you read his recent  
18 comments on that? I think he's recanted. It's getting  
19 harder and harder to find a crypto bearer. So, actually  
20 a lot of institutions that have wanted to trade  
21 cryptocurrency, they weren't able to do it previously,  
22 because there was no qualified custodian in the United  
23 States. That's an SEC designation. That means you need  
24 to have an audited third party to hold the custody of  
25 cryptocurrencies.

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1 So, we recently solved that, we launched  
2 Coinbase Custody, we got our New York trust charter so  
3 we're now a qualified custodian for cryptocurrency. And  
4 just in the last three weeks, we've had \$100 million of  
5 institutional money come into Coinbase Custody to store  
6 cryptocurrency.

7 MS. HELLER: What is that like hedge funds or  
8 --

9 MR. ARMSTRONG: Yeah, some of them are, you  
10 know, smaller crypto institutions that are really just  
11 some of these crypto funds that have gotten started.  
12 Others are bigger, they're -- there's family offices,  
13 there's some funds from university endowments, things  
14 like that.

15 MS. CRUZ: Can I just make a point about the

16 volatility --

17 MS. HELLER: Yes.

18 MS. CRUZ -- issue that -- earlier? 98%, and  
19 I'm being kind, of all volume of all crypto assets are  
20 speculative volume, and that's being kind.

21 MS. HELLER: Okay.

22 MS. CRUZ: The 2% -- the other difference is -  
23 -

24 MS. HELLER: You're call -- you're calling it,  
25 let's just say it what it is, right.

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1 MS. CRUZ: No, but what I was going to say,  
2 there's nothing wrong with speculation at some point.  
3 It adds to liquidity. And it allows nascent efforts to  
4 actually move. But it can be excessive. And I think  
5 the speculation is excessive.

6 I think it's to all the industry leaders,  
7 Brian is one of them, obviously, to see how you mitigate  
8 some of this volatility. It will happen. But the way  
9 you reduce volatility, short term gaps, as Brian and  
10 other imagined -- imaginatively brilliant people are  
11 trying to create. But it will ultimately really go away  
12 the with usage.

13 So, the reason I was saying earlier, I'm very  
14 bullish, is I'm making a basic assumption that adoption  
15 will be widely spread over a lot of different  
16 geographies, people and, and uses. But let's face it  
17 right now, the speculation is excessive. And I don't  
18 think it's good for the ecosystem.

19 MS. HELLER: Tell us about the usage that's  
20 happening at Ripple with cross, cross border payments.  
21 How, like give us an example, you and I were talking  
22 about Mexico? How is it really working?

23 MS. CRUZ: So, Qualtrics is a payment system.  
24 And I agree with Brian earlier, basically, there is  
25 usage, like what problem are we solving. One problem

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1 we're solving, I'll come back to Mexico. Is if you talk  
2 to Citigroup or Morgan Stanley, they're fine. The SWIFT  
3 system, it's a message system. It could be better  
4 messaging system, but it's fine. If you're Citigroup,  
5 and Morgan Stanley.

6 If you're a bank in Nigeria, trying to do  
7 trade flows, it isn't that fine. So, one problem  
8 actually this world is solving is to serve the  
9 underserved institutions, including banks.

10 Another major problem is to solve where his  
11 exchange and other exchanges are very important to have  
12 liquidity to have the underserved, the guy in the US  
13 that send -- sending 100 bucks to his mom in Mexico. If

14 the current system is costing him \$30, which it is, and  
15 that's probably being generous, that's not a system  
16 that's functioning.

17 So, I would say it's solving a do -- a number  
18 of very big problems. Creating inclusivity, the road  
19 from there, the panacea to here will be -- we will be  
20 failing forward in a lot of different areas.

21 MR. ARMSTRONG: Yeah, I agree with Zoe on  
22 that. That is one of the biggest areas that  
23 cryptocurrency can help, is in some of these emerging  
24 markets where their financial system has just failed  
25 them, right.

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1 So, Venezuela is a great example of that.  
2 Their inflation has just been huge, of course, and to  
3 get money out of the country, I think with the official  
4 exchange rate, which is very different in the black-  
5 market rate, and all the fees, it's something like a 56%  
6 fee to get money out of the country.

7 So, one thing earlier this year, that I did  
8 try to accelerate the adoption of cryptocurrency in  
9 these places in the world was I started a charity called  
10 GiveCrypto.org. And the goal is really just to send  
11 direct cash transfers to people in economies where it's  
12 failing. And crypto happens to be the best way to get  
13 money directly to people like that, where there's no  
14 intermediaries, there's no issue around corruption or  
15 fraud, like the money being seized if you try to send  
16 aid into a country like that.

17 And we're trying to help those people convert  
18 it to the local currency and just get whatever they need  
19 in those situations. So, that's really the first step.  
20 Now the longer-term goal would be maybe in some of these  
21 areas, we can actually see a crypto-to-crypto economy  
22 start to form. So, GiveCrypto.org has been a cool  
23 initiative for us to use on that front.

24 MS. HELLER: I want to go to a poll question,  
25 which has to do with what is holding back

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1 cryptocurrencies? Do we have that? Well, right, here  
2 we go. Oh, I'm sorry, a different question. But this  
3 is related to another thing I want to ask.

4 Which is, you talk about how this can, the rep  
5 -- the Internet of Value is a supposed revolution that's  
6 going to up end, fund the financial services system and  
7 create all this value. And I want to ask the audience  
8 really how much they really believe in that, ten years  
9 from now, how much of your financial life will use  
10 digital currency technology?

11 Do you think it's a lot, a little, let's see

12 what, what -- how much this this group has faith that  
13 this is a game changer? Eight people can't even seem to  
14 decide. But when I've noticed in the conversations I've  
15 had and leading up to this panel is you've got the  
16 crypto tourists who've washed out. You have Wall  
17 Streeters who seem pretty skeptical, and I can't put my  
18 finger on whether that's defensive or just their  
19 aversion to risk.

20 And then more on the venture side, a lot of  
21 excitement that this is like the next, the next Big  
22 Thing. And yeah, I was talking to -- this is Lord  
23 Funston here at the lunch at the Bitcoin currency table  
24 said, it's like, people are on the Blackberry, but  
25 what's coming up is the iPhone. And that's what this is

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1 going to be with all the apps. So, why is there such a  
2 seeming disconnect around at all? Why are so many  
3 different takes?

4 MR. ARMSTRONG: Yeah, I think so if you look  
5 at a lot of new technologies that come out, you know,  
6 they take 20 years to reach any kind of early success,  
7 right. It's like the internet took 20 years to reach a  
8 billion people. If you go back to even the telephone,  
9 which got invented in the 1850's, I mean, it wasn't even  
10 patented until 25 years later. And the President told  
11 Alexander Graham Bell, you know, great invention, but  
12 how many people were actually ever going to use this,  
13 right.

14 So, venture capitalists and others are now  
15 looking at this saying, okay, how can we -- how do we  
16 think the world is going to evolve in the next ten  
17 years. And they're always trying to skate to where the  
18 puck is going.

19 So, the smart investors that we work with, you  
20 know, they're taking a very long-term view of this, and  
21 they're saying, we don't really care what the price is,  
22 in any given year, if it's up or down, we're looking at  
23 the fundamentals underlying it. Like, how many  
24 developers are building new applications on this  
25 platform? How many transactions a day are, are being

0016

1 used for utility, and is that growing every year, or is  
2 it declining?

3 One interesting stat is that Stanford  
4 University has all these electives in their computer  
5 science department. And there's dozens of them, you  
6 know, the number one elective that's undergraduate that  
7 Stanford chooses artificial intelligence. The number  
8 two is cryptocurrency.

9 And so, I think if you look at where



10 engineers, especially young people are most fascinated  
11 where they're spending their time, it's increasingly  
12 cryptocurrency. And that's a really good indicator of  
13 where the future is going to be.

14 MS. HELLER: So, one of the -- I want to go to  
15 questions in a minute, but what are the companies that  
16 are either going to be your like friend or foe in the  
17 future that we're not even really deeply thinking about  
18 right now? Like, where do Google and Facebook fit in?  
19 Are they going to be like your partner in the future?  
20 Or are you going to overtake them in some way? What --  
21 where do you see those?

22 MR. ARMSTRONG: Yeah, it's not really how I  
23 think about it. So, I think if you look at the big tech  
24 companies and the big financial service companies, I  
25 think, you know, in five or ten years, almost all of

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1 them will have some kind of blockchain initiative,  
2 because it's going to be like saying, are you an  
3 internet company? It's like every company uses the  
4 internet today, right.

5 I think also in ten years, you're going to  
6 have a bunch of startups, probably at least 50% of  
7 startups in five or ten years will actually be created,  
8 where they, they raise money using, using a token, or  
9 cryptocurrency, if you will. This is a big shift that's  
10 happening right now away from, you know, the traditional  
11 model, which was raise a seed round, you know, do your  
12 Series A, Series B, Series C, someday maybe you go  
13 public and you trade on the public stock exchanges.

14 What's happening now is that companies are  
15 actually issuing a token, raising money either from  
16 people all over the world or from accredited investors,  
17 in some cases, depends what country you're in. And then  
18 they're kind of like public from day one. And they're,  
19 and they're doing -- their tokenizing their cap table,  
20 they're going to go public on the blockchain. So, this  
21 is this, is like stock market 2.0. And by the --

22 MS. HELLER: But this is not ICOs or --

23 MR. ARMSTRONG: So ICOs were the first  
24 iteration of this.

25 MS. HELLER: Okay.

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1 MR. ARMSTRONG: And it was really kind of the  
2 Wild West, right. It's like you had all these people  
3 raising money for things, which some of them were total  
4 scams, right. And it, it really kind of got out of  
5 hand. But underlying ICOs, there's a fundamental  
6 innovation, which is that you don't have to be in  
7 Silicon Valley now to, to raise money from venture



8 capitalists.

9 If you live in, you know, Bangalore, or  
10 wherever it is, and you have a great idea, you can post  
11 your idea on the internet and people all over the world  
12 can, you know, invest in your company.

13 It's really -- it's a little bit like  
14 crowdfunding. But in this case, you actually get equity  
15 in the company, or you know, tokens -- tokenize the cap  
16 table, you get tokens in the company. That's a really  
17 big innovation, because it means anybody in the world  
18 who has a good idea can raise money. You don't have to  
19 live in Silicon Valley.

20 MS. HELLER: It sounds like ICOs to me, but --

21 MS. CRUZ: I agree with Brian on the  
22 innovation part of basically raising capital in a very  
23 new way. But to answer your question, about enemy,  
24 whether it's Google. The biggest enemy, in my view of  
25 this world, is actually building it in the wrong

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1 trajectory of conflicts. I think what got Wall Street  
2 in -- so it's not basically Google that will be the  
3 enemy. It's all the major players that participate in  
4 having a transparent, unconflicted business model,  
5 whoever they may be.

6 MS. HELLER: Better corporate governance in  
7 this industry is what you're --

8 MS. CRUZ: Yes. And also, you know, if --  
9 because I read a lot of incredibly intelligent work  
10 that's been done. But a lot of people that talk about  
11 Bitcoin in -- it's going up because it's been kind of  
12 analysis, and they may own a lot of Bitcoin. So, they  
13 talk it up because it's Bit.

14 Well, that has to change. So, to me the  
15 biggest -- when I look at my Wall Street experience and  
16 you're right, your look at history after the crash in  
17 '29, in 1933, '34, that created an amazing piece of  
18 legislation called Glass Steagall. Which means you  
19 cannot be a principal and an advisor to the same  
20 transaction. You're not going to have that conflict.

21 Well, fast forward, because we needed to grow  
22 globally. We got rid of Glass Steagall, so a lot of  
23 conflicted business models emerged. And I would say in  
24 this new industry, intelligent regulation, the industry  
25 has to get ahead of it. Because if there is a collapse

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1 where the retail or the individual gets hurt, then  
2 you're going to have unintelligent regulation.

3 MS. HELLER: Let's go to questions. Right  
4 here in the front.

5 MR. CRAPO: Hi, Tim Crapo with the VO. So, my

6 question is really around adoption and trust. And that  
7 seems to be a real concern or a question in this space  
8 right now is there isn't a lot of adoption. And there  
9 seems to be a lot of confusion as well, between just the  
10 concept of things like cryptocurrency versus blockchain.

11 And so, I'm curious, how do you see though,  
12 how do you see people kind of navigating those waters to  
13 provide a little more clarity and getting away from the  
14 speculation? Because I do believe that there's a lot of  
15 speculation that comes into cryptocurrency that I think  
16 works against the benefits of, of what it could bring to  
17 the table.

18 So, I'm curious, to your thoughts on how do we  
19 navigate through that bringing clarity between  
20 blockchain and cryptocurrency?

21 MS. HELLER: Okay, let's start with that --

22 MR. CRAPO: And getting away from speculation.

23 MR. ARMSTRONG: Yeah. So, there's a couple of  
24 parts to your question. I mean, it doesn't -- we  
25 actually don't need to necessarily separate blockchain

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1 and cryptocurrency. Cryptocurrency uses blockchain  
2 technology underneath, you know, the semantics, maybe  
3 aren't that interesting,

4 I think what's really relevant is how do we  
5 get more adoption? How do we get more utility of  
6 crypto?

7 And for me, there's a few things. One is we  
8 need to solve the -- this -- the volatility issue and I  
9 think stable coins are doing that.

10 Number two, we need to increase the  
11 scalability of the network, which is, you know, number  
12 of transactions per second.

13 Number three, we need to make the apps even  
14 easier to use and to build for developers. These are  
15 the new types of decentralized applications that people  
16 are now creating with cryptocurrency.

17 So, in Coinbase, you know, we're the most  
18 popular place people buy and sell cryptocurrency, but we  
19 also have an effort to drive the utility phase. We're  
20 doing that with Coinbase wallet, Coinbase commerce and  
21 the nonprofit that I mentioned, GiveCrypto.org.

22 MS. HELLER: Another question. Here in the  
23 red shirt, in back here. Please say who you are.

24 MR. KNIGHT: Jason Knight from Intel. So, one  
25 thing that you only briefly touched on there was the

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1 fundamental technical improvements and sharding and  
2 distributed governance and others. Are these technical  
3 improvements to cryptocurrencies, are they just going to

4 incrementally improve the ecosystem and adoption? Or  
5 are they going to unlock, you know, new ways of  
6 operating and new kind of markets?

7 MR. ARMSTRONG: Yeah, so I think about it,  
8 we're really kind of like the dial up phase of the  
9 Internet right now.

10 So, you remember your old 56k modem, you know,  
11 the Internet was kind of slow, a lot of things didn't  
12 work, you know, all these things had to get invented in  
13 the web browser. JavaScript and cookies and, you know,  
14 security, HTTPS or SSL, right.

15 So, cryptocurrency is really in that dial up  
16 phase. A lot of the tools feel a little bit clunky and  
17 difficult to use.

18 You know, a really simple thing is like when  
19 you send cryptocurrency, you often send it to an  
20 address. It looks like this random series of  
21 characters, it looks like a password, it's not very easy  
22 to use.

23 You should be able to send that to, you know,  
24 a username, something that looks like an email address,  
25 right.

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1 So, these are the kinds of things that we're  
2 working on at Coinbase to try to increase the usability  
3 of crypto.

4 But it's not just us -- there are there's a  
5 whole ecosystem and the protocols, the beauty of it is,  
6 that they're all open standards. And so, there's teams  
7 working on the underlying protocols themselves to  
8 improve some of those things.

9 MS. HELLER: The question is how long term of  
10 an investor do you want to be?

11 MR. ARMSTRONG: Yeah.

12 MS. HELLER: I think that's it for us today.  
13 Our time is up. Thank you so much. Thank you so much.

14 (End of audio.)

15 \* \* \* \* \*

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6 Ripple Labs, NY 09875, 03 - The Case for Crypto, 401684.  
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Interview with Brad Garlinghouse, 10/8/2019, via Economic Club of New York

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Ripple CEO Brad Garlinghouse at The Economic Club of New York,

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1 P R O C E E D I N G S

2 Ripple CEO Brad Garlinghouse at The Economic Club of  
3 New York

4 MS. VAN ALLEN: I'm Barbara Van Allen,  
5 president of the Economic Club of New York, currently  
6 in our 112th year. The Economic Club is the nation's  
7 leading non-partisan platform for discussions of  
8 economy, social, and political issues. More than a  
9 thousand prominent guest speakers have appeared before  
10 the club over the last century and have established a  
11 strong tradition of excellence.

12 I would like to take a moment to recognize  
13 those members in attendance of the Centennial Society,  
14 which is the backbone of the club. It enables us to  
15 have a strong financial core, and it obviously  
16 supports our wonderful diverse programs, such as the  
17 one we're having this morning.

18 I also want to welcome in the back table on  
19 the right our 2019 Attending Fellows, which is a  
20 select cohort of our next generation thought leaders,  
21 sponsored by members of the club for our year-long  
22 program. Welcome to all of you. As a matter of fact,  
23 the 2020 Class of Fellows application is now on our

24 website, so it's available if you all would like to  
25 sponsor someone. Those members in the room, we would

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1 welcome you doing so.

2 It's a pleasure for me to now introduce Brad  
3 Garlinghouse, the CEO of Ripple, an innovative global  
4 payments company, which uses the power of blockchain  
5 to provide one frictionless experience for sending and  
6 receiving money globally.

7 Prior to Ripple, Brad served as the CEO of a  
8 file collaboration service, Hightail. From 2009 to  
9 2012, he was president of consumer applications at AOL  
10 and prior to that he held various executive positions  
11 at Yahoo! Earlier in his career Brad helped to  
12 pioneer the voice recognition process industry --  
13 sorry, obviously not my sweet spot -- as CEO of  
14 Dialpad Communications. He currently serves on the  
15 board of directors of OutMatch and has held board  
16 positions at Ancestry.com and Tonic Health.

17 The format today is a conversation and we're  
18 fortunate to have Fox Business Network anchor Liz  
19 Claman facilitating the interview. Liz will be sure  
20 to save time for questions from all of you, the  
21 members and their guests in attendance, starting with  
22 the first question from our class of Fellows.

23 As a reminder, please know that this  
24 conversation is on the record. We do have cameras  
25 here today; it's being carried live and if you could

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1 please turn your cell phones off that would be super.

2 I would like to now invite Brad and Liz both  
3 to come up on the stage and let the conversation  
4 begin.

5 MS. CLAMAN: Good morning, everybody. Thank  
6 you so much for being here. As Barbara said, we're  
7 going to tee it up for questions at the end. Your  
8 questions may change if he answers something up here,  
9 but -- he's going to be mad at me for saying this --  
10 tee it up, right? Throw curve balls right at his  
11 head. That's what we're here for.

12 Brad, thank you for being here --

13 MR. GARLINGHOUSE: Absolutely. It's an  
14 honor.

15 MS. CLAMAN: -- at the Economic Club.

16 MR. GARLINGHOUSE: Thank you.

17 MS. CLAMAN: And we want to thank the  
18 Economic Club of New York. Fabulous.

19 All right, I want to start with the "what."  
20 We know that Ripple is a technology that acts both as  
21 a cryptocurrency, which is XRP, and also as this



22 high-speed real-time network. So let's begin first  
23 with the crypto part of it, and we'll get to the  
24 payments in a minute. But tell us about crypto and  
25 the native coin that is Ripple XRP.

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1 MR. GARLINGHOUSE: So look, the crypto, I  
2 think, is still very nascent, still emerging. You  
3 have people having -- asking me what inning we're in;  
4 I think we're still kind of in the batter's box. We  
5 haven't even gotten into the first inning.

6 When I think about, you know, how this is  
7 evolving, I moved to Silicon Valley in 1997 in the  
8 earliest days of the Internet and I -- I feel it's --  
9 it feels very similar in that, you know, blockchain  
10 technologies and digital assets or cryptocurrencies I  
11 think are going to touch a lot of different  
12 industries, but I think we're still figuring out what  
13 those look like. And in fact, I would argue that in  
14 many ways the hype has been ahead of the reality, and  
15 you saw that in kind of the runup last year of the  
16 whole crypto market hit a peak of about \$800 billion  
17 of market cap.

18 MS. CLAMAN: Um-hum.

19 MR. GARLINGHOUSE: Now, I think it's around  
20 200-and-change. But that -- that doesn't mean that  
21 there aren't lots of examples where these technologies  
22 will touch industries.

23 I was explaining -- Liz and I were talking  
24 beforehand; I was saying to me the novelty of a  
25 blockchain is allowing two parties to transact with

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1 certainty, but without trust. So today, if -- if Liz  
2 and I are going to do a business deal together, some  
3 central counterparty is going to commute trust.

4 MS. CLAMAN: Um-hum.

5 MR. GARLINGHOUSE: You know, as a consumer  
6 that's Visa and AMEX. You know, in a banking world  
7 that's correspondent banks because you're using  
8 correspondent banks to do a cross border transaction.  
9 Anytime you have a middleman facilitating a  
10 transaction, they are susceptible to how blockchains  
11 can enable two parties to transact without trust but  
12 with certainty because there's this immutable record  
13 out there.

14 MS. CLAMAN: Right.

15 MR. GARLINGHOUSE: Ripple is applying and  
16 using this open-source technology, the XRP Ledger,  
17 we're using that to solve a cross border payments  
18 problem, and I think by going deep in that vertical,  
19 we've gained a lot of transaction and adoption, as

20 opposed to kind of that some people have gone more  
21 horizontal and thin, we've gone kind of deep and  
22 narrow. But I think the cryptocurrency market's still  
23 in its nascent stages. I think it will continue to  
24 grow and evolve as people understand use cases for how  
25 to apply these technologies.

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1 MS. CLAMAN: Well -- okay. So let me just  
2 drill down on the XRP part of it.

3 MR. GARLINGHOUSE: Sure.

4 MS. CLAMAN: And why I wanted to start with  
5 that is simply because it -- it helps people wrap  
6 their mind around it. We're not going to assume that  
7 everybody understands how crypto works. Talk about  
8 specifically the XRP coin.

9 MR. GARLINGHOUSE: Sure.

10 MS. CLAMAN: Is it a -- for example, is it a  
11 stable coin, which means it's based by the U.S.  
12 dollar? What is it?

13 MR. GARLINGHOUSE: So everyone here I'm sure  
14 heard -- has heard of Bitcoin. Bitcoin, you know,  
15 started from the Satoshi White Paper, and one of the  
16 things about how Bitcoin works, it use -- it's proof  
17 of work. It has mining.

18 MS. CLAMAN: Um-hum.

19 MR. GARLINGHOUSE: You've heard about, you  
20 know, miners that are using compute power to verify  
21 transactions. That's expensive and it causes a  
22 scalability problem. The inventors -- the original  
23 engineers who developed the XRP Ledger were early  
24 Bitcoin engineers who saw that there was going to be a  
25 scalability problem of Bitcoin over time.

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1 MS. CLAMAN: Well, it's also finite. There  
2 are 21 million Bitcoin, and that's the end of that.

3 MR. GARLINGHOUSE: That will be the end.  
4 Today there's fewer than that. There continue to  
5 be -- Bitcoin's mined --

6 MS. CLAMAN: Right.

7 MR. GARLINGHOUSE: -- so it's growing with  
8 the idea that it will have a maximum of 21 million  
9 units.

10 With XRP, the idea was look, when you're  
11 doing this mining, it slows down transactions, it  
12 makes transactions expensive, there's a better way to  
13 do that and they developed something called -- that I  
14 won't technically go into -- called a consensus  
15 algorithm, but basically the idea is you don't have to  
16 have mining to verify a transaction.

17 But XRP -- so this group of engineers

18 developed the XRP Ledger, it's an open-source  
19 technology. Ripple owns a lot of XRP. We own about  
20 55 percent of all XRP, so clearly we're very  
21 interested in the health and success of that  
22 ecosystem, but it is an open-source technology that  
23 Ripple uses in its technical stack.

24 MS. CLAMAN: What is the "use case"? If --  
25 we have people in this audience thinking why would I  
0009

1 buy an XRP?

2 First, what's the value of it right now?

3 MR. GARLINGHOUSE: I did not look this  
4 morning. I think it's around 27 cents but I'm not  
5 sure.

6 MS. CLAMAN: Okay. 27 cents per XRP.

7 MR. GARLINGHOUSE: Correct.

8 MS. CLAMAN: What is the use case? If I  
9 bought 10,000 of these to take a chance on it, a  
10 couple hundred bucks or whatever, you know, what --

11 MR. GARLINGHOUSE: Well, there's two things  
12 I think you're asking there. One is more of an  
13 investment question of, you know, are people  
14 speculating on digital assets. I mean, the  
15 question --

16 MS. CLAMAN: They are.

17 MR. GARLINGHOUSE: Yeah, 100 percent people  
18 are. I mean, I -- I think one of the challenges for  
19 the crypto space is that, you know, I have said this  
20 publicly before, I think 99.9 percent of all crypto  
21 trading today is just speculation.

22 MS. CLAMAN: Um-hum.

23 MR. GARLINGHOUSE: I mean, it's actually  
24 some amazing stats. About 40 to 50 billion dollars a  
25 day is trading in crypto. I mean, that is a lot.

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1 That is a very liquid market.

2 MS. CLAMAN: And by the way, there's  
3 something like 2,000 coins out there. Different types  
4 of coins.

5 MR. GARLINGHOUSE: Different types of  
6 tokens, yeah.

7 So there's a lot of --

8 MS. CLAMAN: Basically Top 10 -- sorry to  
9 interrupt -- and XRP is one of them at the very top.

10 MR. GARLINGHOUSE: So there's a lot, a lot  
11 of trading out there, but most of it is just  
12 speculation.

13 The question you're asking, I think, is  
14 what's the utility?

15 MS. CLAMAN: Um-hum.

16 MR. GARLINGHOUSE: And what problem are you  
17 solving? I think that's the right question because I  
18 think over a long arc of time I think the value of any  
19 digital assets will be related to its utility in the  
20 world. Ripple is using XRP to solve this course --  
21 and we're going to talk about this later --

22 MS. CLAMAN: Um-hum.

23 MR. GARLINGHOUSE: -- but you know, a  
24 correspondent banking problem.

25 You know, I make the joke that if you and I

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1 decided to have a race to see who would get \$10,000 to  
2 London the fastest, I would win if I just drove to JFK  
3 and flew it there. You know, it -- that's the fastest  
4 way to move money, which in 2019 in the world of the  
5 Internet is a pretty surprising stat. So we are using  
6 XRP to help banks, to help regulated financial  
7 institutions facilitate cross border transactions.

8 There's other companies out in the XRP  
9 world, they're doing other things ranging from  
10 micropayments to, you know, identity meeting, other  
11 things using that open-source technology, but Ripple's  
12 very focused on using it for that -- payments.

13 MS. CLAMAN: Can you give an example to this  
14 audience about how somebody used Ripple to buy or sell  
15 something?

16 MR. GARLINGHOUSE: XRP in that case, I  
17 think. Yeah.

18 MS. CLAMAN: XRP, rather.

19 MR. GARLINGHOUSE: Well, I mean, I -- if --  
20 you and I talked a little bit about this. XRP in my  
21 judgment, and really any crypto, I don't think the use  
22 case is a consumer use case today.

23 MS. CLAMAN: Um-hum.

24 MR. GARLINGHOUSE: You know, I imagine some  
25 percentage of people in the room before coming this

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1 morning stopped at Starbucks, and you had no trouble  
2 paying. You used a Visa. Maybe you had dollars in  
3 your pocket, I don't know, but it worked. And so when  
4 people talk about using crypto for a consumer use  
5 case, I go to the well what problem are we trying to  
6 solve? You know, if the problem -- if there's not a  
7 problem, then like let's not, you know, force change.  
8 I mean, people aren't going to adopt a new thing  
9 unless it's helping you in some way. So I think in  
10 first world countries like the United States, the  
11 euro, the yen, the dollar, the RMB, I don't see the  
12 consumer use case for crypto anytime soon. Now, I say  
13 in, you know, kind of the G-20 markets, because there

14 are markets that have already lost control of their  
15 currency where, you know, the transaction costs for a  
16 Visa transaction isn't 150 bps or 200 bps, it's 800  
17 bps.

18 MS. CLAMAN: Correct.

19 MR. GARLINGHOUSE: And you know, you go to  
20 Argentina, and you get a menu and it has three prices  
21 on it. You know, one is to pay in dollars, one is  
22 paid Argentinian pesos in currency, and another is to  
23 pay with a credit card. You know, that probably  
24 will -- you know, is there risk for Argentina that  
25 cryptocurrencies are solving a problem? Yeah. I -- I

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1 just don't think that's -- you know, 95 percent of  
2 global GDP I don't really think that you need to use a  
3 cryptocurrency to solve a fiat problem. And I -- we  
4 can also talk about this later, but I think that's one  
5 of the biggest mistakes, Libra, Facebook's White  
6 Paper, they kind of positioned it as a new fiat  
7 currency. And that of course raises the irregularity  
8 of lots of governments.

9 MS. CLAMAN: Oh, yes. Particularly the  
10 United States. As we know, Jay Powell is not a fan of  
11 it, and President Trump has said he's not a fan of it.

12 The Ripple network, so now let's dovetail to  
13 that. The peer-to-peer platform, right, it allows for  
14 seamless transfer of money. Would that include  
15 everything from U.S. dollars to yen to Canadian  
16 dollars to Litecoin, to some of your competitors?

17 MR. GARLINGHOUSE: I mean, all the above.  
18 The only thing you said -- Liz is demonstrating she's  
19 very proficient in this industry, she mentioned  
20 Litecoin. You know, we work with fiat currencies. We  
21 use XRP to help banks solve this payments problem.

22 MS. CLAMAN: Right.

23 MR. GARLINGHOUSE: You know, Litecoin would  
24 have been an exception to that list. But you know,  
25 today we work with banks like Santander. I was, you

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1 know, flattered on -- Ana Botín was on stage at  
2 this --

3 MS. CLAMAN: Yeah.

4 MR. GARLINGHOUSE: -- event yesterday and  
5 talking about the work we're doing together, and it --  
6 you know, Santander is a very large global bank, has  
7 lots of cross border transactions. They deal with the  
8 friction of cross border transactions of -- depending  
9 upon SWIFT. What they saw, and she talked a little  
10 bit about yesterday, is that they were losing market  
11 share to the currency clouds and TransferWise's of the

12 world --

13 MS. CLAMAN: Um-hum.

14 MR. GARLINGHOUSE: -- and for them to  
15 compete on a level playing field, they had to be able  
16 to have a different technology framework. And they  
17 went out and looked at the various options -- this is  
18 about four years ago -- and started working with  
19 Ripple and, you know, it thus began that particular  
20 customer journey.

21 MS. CLAMAN: I -- you know, I know sometimes  
22 this is proprietary information, but could you name  
23 some other customers that would give this audience of  
24 sense of how you guys have already put the  
25 infrastructure into place? Is it -- it's servers,

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1 right? Is it Cloud? Or what --

2 MR. GARLINGHOUSE: Yeah. We actually  
3 primarily use technology behind the firewall, and  
4 that's really because that's where the banks are  
5 comfortable.

6 MS. CLAMAN: Yeah.

7 MR. GARLINGHOUSE: I think over time some of  
8 that moves to the Cloud. But look, we work with a lot  
9 of household names. American Express. I mean, here  
10 in the United States American Express, PNC, you know,  
11 Santander has U.S., and you know, the largest bank in  
12 the Eurozone. We work with Itaú in Brazil. We work  
13 with Siam Commercial in Thailand. You know, we've now  
14 signed up over 200 financial institutions globally.  
15 Some of them you've certainly heard of. Some of them,  
16 you know, when we sign contacts sometimes I think I've  
17 never heard of that particular bank, but --

18 MS. CLAMAN: There's MoneyGram, as well.  
19 You've got a great partnership with MoneyGram.

20 MR. GARLINGHOUSE: MoneyGram is a really big  
21 deal for -- the primary reason is, I think, MoneyGram  
22 more than maybe any of our other customers is  
23 demonstrating the value from a, you know, just pure  
24 economic point of view of why this is good for  
25 shareholders of MoneyGram.

0016

1 You know, MoneyGram for those of you who  
2 don't follow the company, is about a \$1.2 billion  
3 enterprise value company. They have a lot of debt, so  
4 the market cap is only a handful of hundreds of  
5 millions of dollars.

6 MS. CLAMAN: Right. Yeah.

7 MR. GARLINGHOUSE: What's interesting there  
8 is that they have negative working capital of around  
9 300 to 400 million dollars. Now that negative working

capital is there, is because if I went to settle a transaction with the Bank of Liz, and the Bank of Liz is dollars and I'll be Mexican pesos, I would prefund money to the Bank of Liz, and Liz -- Bank of Liz would prefund to the Bank of Brad. And then we would use messaging to debit and credit that. But that means I have put dormant capital out into kind of -- you almost think about it as the global transaction engine has to have oil in it to work, and so the oil is cash that sits in these accounts all over. For MoneyGram, that's several hundred million dollars of negative working capital.

The idea is don't use cash and prefund but use digital assets in real time to move value. So the Bank of Liz can hold a dollar, sell a dollar, buy a unit of XRP, move the XRP across a digital ledger

0017

1 into, I guess you were dollars, I'm pesos --

2 MS. CLAMAN: Um-hum. Um-hum.

3 MR. GARLINGHOUSE: -- from U.S. denomination  
4 exchange to a Mexican denomination exchange, sell the  
5 XRP, buy a Mexican peso, so going from dollars to  
6 pesos in real time.

7 MS. CLAMAN: On which -- on which value?  
8 Which currency value?

9 MR. GARLINGHOUSE: Well, you went from  
10 dollars to XRP, and there's --

11 MS. CLAMAN: Because currencies fluctuate  
12 day-to-day.

13 MR. GARLINGHOUSE: That's a great question.  
14 And so these transactions are happening so fast,  
15 you're talking about seconds, that the -- one of the  
16 kind of red herrings here is people are like, hey --  
17 I've had bank executives say to me, look, we're not  
18 going to use cryptocurrencies, there's way too much  
19 volatility.

20 MS. CLAMAN: Um-hum.

21 MR. GARLINGHOUSE: And I let them get that  
22 out, and then I say, well okay, wait a minute. Let's  
23 do -- let's actually look at the math on that.

24 MS. CLAMAN: Um-hum.

25 MR. GARLINGHOUSE: When you do a SWIFT

0018

1 transaction, the average transaction let's just say is  
2 three days. That's 270,000 seconds, trust me, I did  
3 the math on that. If you multiple 270,000 seconds in  
4 a low-volatility asset by -- if you compare that to  
5 three or four seconds in a highly volatile asset like  
6 XRP, it turns out you're talking less volatility risk  
7 with an XRP transaction than you are fiat.



8 Now, what happens with SWIFT is, someone is  
9 hedging that risk for you. When you do a transaction  
10 to, you know, dollar, yen, what have you, someone's  
11 selling you that currency risk to the settlement of  
12 two to three days from now. With XRP, it's happening  
13 so fast you don't really need to hedge it because  
14 you're in and out of it in a few seconds, and so we  
15 haven't seen that be an issue. And MoneyGram went  
16 live with us this summer.

17 You know, unbeknownst to us when they did  
18 their earnings call in August, you know, they -- they  
19 went from skeptics to, you know, we were working with  
20 them for a year to get that deal done, they went from  
21 skeptics to holy cow, they couldn't say much more nice  
22 stuff about us, so we're pretty happy about that.

23 MS. CLAMAN: Okay. What about the revenue  
24 model? How do you guys make your money? Is it per  
25 transaction?

0019

1 MR. GARLINGHOUSE: There's two things we  
2 think about and, you know, I'm fond of describing I  
3 grew up in Kansas, my mom asks me what we do. Like,  
4 mom, we sell software to banks. We sell a software  
5 license, we have transaction fees, we have  
6 professional services fees. We also care -- we own a  
7 lot of this digital asset. Anything we do that's good  
8 for that digital asset is good for us. So if you're a  
9 gold mining company you care about -- you have a lot  
10 of reserves. You care about the value of gold. If  
11 you're Exxon, you care about the value of oil. So you  
12 know, we sell software to banks, we think about how to  
13 create value, both in that context, but also in the  
14 overall context of what's the value of the gold we  
15 have in the ground.

16 MS. CLAMAN: Okay. 55 percent of XRP, the  
17 whole float, if you will, is what you guys own. Who  
18 owns the other part? Just people?

19 MR. GARLINGHOUSE: It's float.

20 MS. CLAMAN: Okay. What is the value of  
21 that?  
22 Give or take.

23 MR. GARLINGHOUSE: Well, so -

24 MS. CLAMAN: Right now, you're float.

25 MR. GARLINGHOUSE: So there's 100 billion

0020

1 units of XRP that were created, and today I think we  
2 said is around 27 cents, so the total market is \$27  
3 billion. We own 55 percent of that, you know, so  
4 what's that, \$15 billion, plus or minus.

5 MS. CLAMAN: Okay.



6 MR. GARLINGHOUSE: Now, the -- the float  
7 part is the remainder, so call it 10 billion.

8 MS. CLAMAN: And the free market judges --

9 MR. GARLINGHOUSE: Correct.

10 MS. CLAMAN: Going back to your -- they see  
11 some -- some see it as a tradable asset, you guys  
12 don't look at it that way. I get it.

13 MR. GARLINGHOUSE: Well, we see it as a  
14 tradable asset to solve an institutional liquidity  
15 problem.

16 MS. CLAMAN: Yes. Yes.

17 MR. GARLINGHOUSE: So we -- we definitely  
18 view it as a tradable asset. There's no doubt that,  
19 you know, we -- we treat it as a currency in that  
20 regard, I just don't think that -- I don't think any  
21 crypto, let alone XRP, is going to, you know, make  
22 inroads and at solving that consumer use case.

23 MS. CLAMAN: Keeping with the network and  
24 these banks that are now signing up, and some of them  
25 are becoming believers here, is there proof of work?

0021

1 Tell us how that -- that can actually be because we  
2 hear about blockchain being a digital ledger, but  
3 where's the central aspect of this? I guess you could  
4 call it the central authority of --

5 MR. GARLINGHOUSE: Yeah.

6 MS. CLAMAN: -- Ripple?

7 MR. GARLINGHOUSE: Well, intentionally or  
8 unintentionally you're -- you're walking into a very,  
9 very, very fraught with controversy question in the  
10 crypto space because --

11 MS. CLAMAN: Intentionally.

12 MR. GARLINGHOUSE: Yeah, right. So many,  
13 many people say well, Bitcoin is the most  
14 decentralized asset out there and there's no central  
15 operator and nobody can control it. Asterisk, that's  
16 sort of true, it's sort of not true. Yeah, the nature  
17 of how proof of work works is you have these pools of  
18 mining capacity, and mining meaning CPUs, so you think  
19 about, you know, where would you have concentration of  
20 mining? Well, that's where you have cheap power. So  
21 what has happened is you have 80 percent of Bitcoin  
22 mining occurs in China. You actually have four miners  
23 who control more than 50 percent of the, you know,  
24 compute power of the Bitcoin blockchain.

25 The reason why that's significant is if you

0022

1 have more than 51 percent of the kind of compute  
2 power --

3 MS. CLAMAN: Um-hum.

4 MR. GARLINGHOUSE: -- you could actually  
5 change the blockchain. You could change -- you know,  
6 people talk about well, it's decentralized, it's  
7 immutable, it can't be changed, except if you have 51  
8 percent of the compute power.

9 MS. CLAMAN: Okay.

10 MR. GARLINGHOUSE: Now, this has actually  
11 only happened once with a token called Ethereum  
12 Classic, ETC, and someone did do something called a 51  
13 percent attack.

14 It was able to steal millions of dollars of  
15 value through simplistically just a double-spend  
16 problem. So is Bitcoin decentralized? Yeah, I think  
17 Bitcoin's decentralized, but the mine -- the nature of  
18 proof of work means it's extremely expensive from a  
19 power consumption.

20 I mean, here's an amazing stat; 1 percent of  
21 global energy consumption is Bitcoin mining. That is  
22 a holy shit moment in my opinion.

23 MS. CLAMAN: Yeah.

24 MR. GARLINGHOUSE: Like, you know, you --  
25 you talk about, you know, the green protesters and

0023

1 you're like, you look at what people are doing with  
2 Bitcoin mining and to me it makes no sense at all.

3 Now, I can't take any credit for this  
4 because this predates my involvement with Ripple, but  
5 the -- the early engineers who developed the XRP  
6 Ledger, they saw this problem coming, and they said  
7 look, this is not the right way to think about  
8 verifying transactions because you're going to have to  
9 throw more and more power at this, and the further you  
10 get towards that 21 million, the more power you have  
11 to throw at it. So that -- that has been growing more  
12 and more.

13 What the XRP Ledger does is, it's a very,  
14 very simplistic view that look, if there's a table o  
15 people over here -- and I happen to know Don  
16 Donahue -- if Don hands somebody a dollar and everyone  
17 at the table agrees he handed him a dollar, the dollar  
18 moved, and everyone agrees it moved, and we can agree  
19 that the consensus is that happened. The XRP Ledgers  
20 have over 50 million ledger closes, and we've never  
21 had a transaction unwound, and you know, it -- it  
22 works. It's just a fundamentally different model for  
23 how it works.

24 MS. CLAMAN: I'm glad you brought up the  
25 dollar again because I want to transition,

0024

1 particularly for this audience of the Economic Club of

2 New York, China and other countries, but specifically  
3 China. China has completed a prototype, I don't know  
4 if you all know this, a prototype of a so-called China  
5 coin. A digital currency, I believe, it's backed by  
6 the yuan.

7 MR. GARLINGHOUSE: It is.

8 MS. CLAMAN: And they are about to unleash  
9 their own network, similar to, you know, what we're  
10 talking about here. Are we behind in that here in  
11 America? I mean, the Fed is a skeptic when it comes  
12 to cryptocurrency.

13 MR. GARLINGHOUSE: Yeah.

14 MS. CLAMAN: The president is a skeptic.  
15 You have a lot of people who still don't quite  
16 understand it. You know, Singapore, which is  
17 considered a financial center of the world, very  
18 forward thinking when it comes to technology, that  
19 central banker has expressed a little bit of concern.

20 MR. GARLINGHOUSE: Yeah. So let's first  
21 understand like what stable coins or kind of central  
22 bank digital assets is kind of the way they're  
23 described, and so what the Chinese Government is doing  
24 is they are apparently going to launch a central bank  
25 digital asset. I -- let's go back to the thing I said

0025

1 about Starbucks earlier; what problem are we solving?  
2 So I look at the Fed today and I'm sure there are  
3 bankers here in the window -- or in the audience, and  
4 if you want to go and call on the Fed for liquidity,  
5 you go to the Fed window. You don't get cash; you get  
6 digits in a ledger.

7 MS. CLAMAN: Um-hum.

8 MR. GARLINGHOUSE: And so when -- you know,  
9 like I'm JPMorgan, I go to the Fed, the Fed's saying  
10 okay, great, here's some sort of ledger change. It's  
11 already digitized. So I -- I've actually been a  
12 little bit of a skeptic that central bank digital  
13 assets do much that we don't already do today.

14 MS. CLAMAN: So you don't think the dollar  
15 should be tokenized?

16 MR. GARLINGHOUSE: It already is. You think  
17 about it, like how many people here -- like you look  
18 at your net worth statement on a bank account, and  
19 like those are just digits. You know, yes, you could  
20 go to the bank and get cash, but frankly if you're  
21 asking for any more than a few thousand dollars, you  
22 have to call in advance because they don't have the  
23 cash. So most of your -- most of the U.S. dollar is,  
24 quote -- I mean, you said tokenized, I would say  
25 digitized, there is a little bit of a difference, but

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1 I think we always have to go back to what problem are  
2 we trying to solve?

3 MS. CLAMAN: Um-hum.

4 MR. GARLINGHOUSE: If we're solving a  
5 problem or creating customer value, then I think it's  
6 great. The only argument I have seen around central  
7 bank digital assets is if they want to expand the Fed  
8 window from serving a small number of regulated  
9 institutions to a mass audience. If everybody here  
10 could go directly to the Fed and have an account with  
11 the Fed, well, that's kind of interesting; now we just  
12 put the entire commercial banking business out of  
13 business. That doesn't sound like a very good idea.

14 MS. CLAMAN: That -- I'm feeling the room  
15 shivering at the moment.

16 But I would also say, too, with China, they  
17 tend to have sometimes nefarious positions here. A  
18 China coin, if they ran it, they could see every  
19 financial transaction from everyone. They love that  
20 control. And on top of it, they could bypass U.S.  
21 sanctions with this.

22 MR. GARLINGHOUSE: Well, the bypass point is  
23 an instrument, let me pause on that one for a second.  
24 I mean, people made this argument to me before and I'm  
25 like, look, make no mistake about it, the Chinese

0027

1 Government already sees every transaction, so whether  
2 it's a digital asset -- I mean, yes, there's lots of  
3 efforts to circumvent through cash, but they see a lot  
4 of the transactions. Would this actually enhance  
5 their ability to see things?

6 MS. CLAMAN: Yes.

7 MR. GARLINGHOUSE: Maybe.

8 MS. CLAMAN: Yeah.

9 MR. GARLINGHOUSE: Yeah. I think that's  
10 fair.

11 I think the challenge that Ripple struggles  
12 with, and you and I talked a little bit about before  
13 is, the crypto industry often gets painted with one  
14 broad brush, and you have, as you often do with a  
15 nascent market, you have the charlatans and grifters  
16 and you have people trying to do bad things, and  
17 frankly you have tokens designed for anonymity, and  
18 you know, that is not going to fly.

19 MS. CLAMAN: Yeah.

20 MR. GARLINGHOUSE: What Ripple is trying to  
21 do is say, look, you can use these digital assets to  
22 improve -- to reduce friction --

23 MS. CLAMAN: Right.

24 MR. GARLINGHOUSE: -- to reduce cost, to  
25 increase speed, that's good for global commerce.

0028

1 Whether you're the Bank of Liz, you're the Bank of  
2 Ward, you're the bank of anybody in this room, you  
3 know, there's an ability to use these technologies to  
4 improve customer experiences, improve costs.

5 You know, I'm -- somewhere in this room I'm  
6 sure has lived overseas, and you've dealt with  
7 personally the experience of trying to move money into  
8 and out of the United States. It is fraught with  
9 challenges. And you know, SWIFT has a published 6  
10 percent error rate. Think about that for one second.

11 MS. CLAMAN: Wow.

12 MR. GARLINGHOUSE: If you -- if 6 percent of  
13 your Google searches resulted in no results, you would  
14 think like how -- you know, the Internet is broken,  
15 yet our global financial infrastructure has a 6  
16 percent error rate.

17 MS. CLAMAN: What is your error rate?

18 MR. GARLINGHOUSE: I mean, you're talking  
19 about virtually zero error rate. The reason is before  
20 a transaction happens on a Ripple net, Ripple's  
21 technology, the Bank of Liz and the Bank of Brad, it's  
22 a chatty --

23 MS. CLAMAN: Have to -- yeah.

24 MR. GARLINGHOUSE: Like I'm already chatting  
25 with you. The bank -- the way SWIFT works is a little

0029

1 bit more like a postcard. I go to the U.S. Postal  
2 Service box outside. I write a postcard, I write the  
3 address on it, I stick it in the mailbox.

4 MS. CLAMAN: Hoping it will get there.

5 MR. GARLINGHOUSE: I have no idea what  
6 happens next. I don't know where it goes. I don't  
7 know how it gets there. I don't even know for sure it  
8 did get there. That's how the world was developed  
9 kind of 50 years ago.

10 And by the way, I'm not trying -- I mean, I  
11 know it sounds like I'm shatting all over it; look, if  
12 it works but it's -- it could be much better. Like,  
13 you know, if you've lived in a house for 50 years, you  
14 want to renovate the kitchen, you want to renovate the  
15 bathroom. I look at how do we apply modern  
16 technologies to global financial infrastructure and  
17 cross border payments as a way we can massively  
18 improve it for banks, for their customers. And we're  
19 not changing the regulatory framework. Every  
20 transaction is still KYC'd.

21 Every transaction is checked for AML because

22 the end point, the Bank of Liz, who we trust --

23 MS. CLAMAN: Right.

24 MR. GARLINGHOUSE: -- is verifying those  
25 things already.

0030

1 MS. CLAMAN: Before we take questions --

2 MR. GARLINGHOUSE: Yes.

3 MS. CLAMAN: -- because we've got a couple  
4 of more minutes for the audience, so I hope you guys  
5 are getting ready, very interested to know about  
6 Facebook's Libra and how someone like you running  
7 Ripple and of course, XRP, looks at something like  
8 Facebook and the Libra coin that -- that they expect  
9 to put out there, and I ask that because when that  
10 announcement happened, the value of a lot of cryptos,  
11 including XRP, jumped because people thought this  
12 gives it legitimacy. Do you view it that way?

13 MR. GARLINGHOUSE: Well, I don't think XRP  
14 jumped. I would have to go back and look at when they  
15 actually announced that. I think what -- so first of  
16 all, it's level set. Whenever someone talk -- asks me  
17 about Libra, I often interrupt them and say, you mean  
18 the Libra White Paper? This is a white paper, people.  
19 Like we are so far ahead of ourselves, and I frankly  
20 think the way Facebook has executed their rollout  
21 is -- I don't understand why they handled it this way.

22 MS. CLAMAN: PayPal doesn't understand,  
23 either.

24 MR. GARLINGHOUSE: Yeah, they definitely  
25 don't understand.

0031

1 MS. CLAMAN: They just backed out.

2 MR. GARLINGHOUSE: They're out.

3 So I think, you know, they went out and  
4 said, look, are there ways we can apply these  
5 technologies to, you know, benefit society? Yes.  
6 They decided maybe the best way to do that was, in my  
7 judgment, as they described, to launch was effectively  
8 a new fiat currency. I don't think we -- I mean,  
9 going to back Ethereum, I don't think we need a new  
10 fiat currency. And I think it confuses people to --  
11 to have like, okay, I'm going to have a -- a Libra  
12 token in my Facebook wallet and it's going to be  
13 tradable with dollars, as opposed to like if I'm in  
14 the United States and I have a Facebook account, let's  
15 just use dollars.

16 I think what Facebook did, also I would just  
17 observe is kind of interesting, had -- had PayPal led  
18 that, had PayPal announced Libra and then Facebook  
19 joined two weeks later, would we be having the same

20 conversation the same way? Before wanted to lead that  
21 effort and I think in some ways their rollout  
22 demonstrated a kind of -- maybe a lack of  
23 self-awareness about their position with governments  
24 around the world, that Libra -- Libra's likelihood of  
25 success would have been higher had someone else led

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1 that effort.

2 MS. CLAMAN: Okay.

3 MR. GARLINGHOUSE: And there were 28 members  
4 at the beginning, but I think at the end of the day,  
5 you know, it is a Facebook-led effort. I think all of  
6 these things, and Ana Botin was so brilliant  
7 yesterday, and one of things she talked about is the  
8 word "trust."

9 In the world I live in of banking, but  
10 certainly around crypto, trust is critical. And it --  
11 you know, fair or unfair I'm not even going to take a  
12 position on, Facebook has eroded its trust with its  
13 users. And certainly, it's eroded its trust with  
14 governments, and so now you're saying hey, we're going  
15 to get more aggressive in this.

16 You know, the comparison, because it  
17 launched around June and it -- right around June  
18 the -- the announcement of the white paper was around  
19 June, right around then, the Boeing that was having,  
20 you know, another crisis around the 737 Max problem, a  
21 friend of mine reached out to me and said, you know,  
22 Facebook announcing a cryptocurrency is little bit  
23 like the idea of Boeing announcing in the middle of  
24 the 737 Max crisis they're going to launch a new  
25 double-decker airplane. And she's like why would you

0033

1 do that? You know, you've got -- you already have  
2 this massive problem, why don't we get that sorted out  
3 and solved before you go and create a whole other  
4 front on your war.

5 MS. CLAMAN: Well, whether it's Facebook'  
6 Libra White Paper announcement or people's Bitcoin  
7 disappearing and them calling the Fed and screaming  
8 about it, you know one thing is coming, and that is  
9 regulation.

10 MR. GARLINGHOUSE: Yeah.

11 MS. CLAMAN: If you were in the room with  
12 the regulators, whether it be the Securities and  
13 Exchange Commission, then you know, FDIC, whoever,  
14 what two or three things would you insist be in that  
15 regulation?

16 MR. GARLINGHOUSE: Well, I -- you're going  
17 to think I'm dodging the question; I swear I'm not, we



18 have regulation.

19 MS. CLAMAN: He's lying.

20 MR. GARLINGHOUSE: I -- I -- we have  
21 regulation. I -- I mean, because what you're asking  
22 me is what are the new regulation? In effect, you're  
23 saying what new regulations should exist for this?  
24 And I think well, we have extremely robust banking  
25 regulation. Any new entrance in the -- that should be  
0034

1 subject to those regulations.

2 MS. CLAMAN: But when people in this room  
3 say are you a bank, you would say no.

4 MR. GARLINGHOUSE: Well, I'm not a bank,  
5 meaning like I don't hold deposits. I don't -- I  
6 don't have accounts. I don't have wallets. I -- you  
7 know, when I go talk to regulators, what I quickly  
8 explain to them is your regulatory framework that  
9 exists today, exists exactly the same the day after.

10 Before we went live with MoneyGram, we  
11 didn't talk much about that, but we got on the phone  
12 with MoneyGram's regulators and together we briefed  
13 their regulators about what we're doing. And it -- as  
14 soon as they understand that this is just a simpler  
15 infrastructure way --

16 I mean, look in some ways we're plumbers.  
17 Like we're enabling a much more efficient plumbing,  
18 but the in point, where regulators care is, you know,  
19 some governments care about capital flow control, some  
20 care a lot more about KYC and AML and OFAC and any  
21 other acronyms; they get enforced at the in point.

22 MS. CLAMAN: Um-hum.

23 MR. GARLINGHOUSE: We don't change that.  
24 You can't do an anonymous transaction on Ripple net  
25 because every in point we work with is a regulated  
0035

1 financial institution.

2 MS. CLAMAN: But by that logic, you're  
3 saying that nothing bad will ever happen at Ripple.  
4 There will never be a breakdown. Nothing -- it --

5 MR. GARLINGHOUSE: Well, I -- what I'm  
6 saying is, there's no difference in the risk today  
7 than tomorrow. So yes, today there is risk when  
8 you're using SWIFT and when you're using ACH and when  
9 you're using -- the -- all the different  
10 infrastructure technologies today that allow money to  
11 move, there's -- there's risks.

12 MS. CLAMAN: Right.

13 MR. GARLINGHOUSE: Right. There's hacking  
14 risk. There's, you know, fraud risk. There's all  
15 kinds of things --



16 MS. CLAMAN: Yeah.

17 MR. GARLINGHOUSE: -- and we see those.  
18 Nothing changed. You -- you started using Ripple's  
19 technology underneath and all those risks are still  
20 the same --

21 MS. CLAMAN: Yeah.

22 MR. GARLINGHOUSE: -- but they didn't get  
23 worse.

24 Now, in some ways you could argue they got  
25 better in various ways, I'm not even trying to argue

0036

1 that. I'm just trying to explain when regulators look  
2 at this and they say what new regulations should we  
3 have, I look at it and say, well no, no, no, we have  
4 robust regulatory frameworks. Ripple's attitude is  
5 we're pro-regulation. Like we're not trying to change  
6 that. We're not trying to circumvent it. And that  
7 the challenge for us has been many in the crypto  
8 community, you hear crypto, it matters to some people  
9 in this room; you heard crypto and you're like oooh,  
10 Silk Road, drugs, you know. And yes, there are bad  
11 actors in that system.

12 There are also bad actors with -- use the  
13 U.S. dollar. This is a new way to do that and you  
14 know, what we're trying to do is say we can bring  
15 these technologies to bear in a regulated world to  
16 solve real problems that --

17 MS. CLAMAN: Yeah.

18 MR. GARLINGHOUSE: -- you know, really  
19 improve the economy.

20 MS. CLAMAN: Well, I know. But you know,  
21 the way the regulators think, they want to create  
22 something, so you want to be part of that  
23 conversation.

24 MR. GARLINGHOUSE: For sure.

25 MS. CLAMAN: I want to open this

0037

1 conversation right now to the audience. We do have a  
2 roving microphone, but let's begin with the Fellow  
3 table at the back. And please state your name, with  
4 whom you work, and of course your question.

5 PETER: Hi, I'm Peter, I work for Citi  
6 Private Bank. So my question was just what do you see  
7 in terms of your risk going forward? Whether that's  
8 regulatory or security -- digital security?

9 MR. GARLINGHOUSE: Well, so I agree with  
10 what Liz was saying earlier. You know, even though I  
11 really wasn't dodging the question, I think regulatory  
12 dynamics are probably the most important thing for the  
13 crypto industry, and certainly for Ripple. And you

14 see, you know, the macro trendline here I think is  
15 going very, very well.

16 So three or four years ago it was I think a  
17 very uncertain world. You know, now you do have  
18 things like Facebook happening, which makes it much  
19 more of a, you know, front and center. But look, the  
20 U.K. government has been very progressive around this  
21 and very clear about their view on -- the regulatory  
22 frameworks around crypto. The Singaporean government,  
23 the Japanese government, but you also have a bunch of  
24 governments that have either been, you know, neutral  
25 so the U.S. has been kind of silent-ish. You know,

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1 India has been rather negative. So I think the --  
2 that is the journey we are on and I think any time you  
3 have a new technology, people are trying to figure out  
4 how could it be abused? What are the risks? But I  
5 think that the number one risk and opportunity is  
6 really on the regulatory side.

7 Some of the -- you asked also about  
8 security.

9 Look, I -- I think account security is a  
10 challenge for, you know, fiat. It's a challenge for  
11 crypto. The -- you know, JPMorgan and Citi have been  
12 dealing with it for 100 years and you know, yet still,  
13 not that anyone at Citi wants to admit it, but every  
14 day in one way or another Citi is hacked. That's not  
15 because Citi, it's because the end user. I mean,  
16 every human in this room is the softest in point of  
17 any, you know, cyber risk. So I think what we're --  
18 that's still a risk and will continue to be so in the  
19 crypto world.

20 MS. CLAMAN: Yeah. I mean, it's happening  
21 on a daily basis, and it was ever thus. We were  
22 talking earlier, and I said that's like people  
23 flipping out of their minds because Tesla had a car  
24 fire and yet there's something like 45,000 car fires  
25 with class combustible engines every day on American

0039

1 roads and -- and you're going to hold Tesla to some  
2 different structure or level. It's important to keep  
3 it in perspective because we all are hearing about  
4 this, so I'm sure you guys are still maybe not sure.  
5 Do you really want some questions here? Raise your  
6 hand and we're happy to.

7 Yes, ma'am.

8 MS. ST. CLAIRE: Dale -- oh, thank you.  
9 Dail St. Claire, Park Avenue Finance. Have you worked  
10 with any of the financial institutions, specifically  
11 IFEs permissioned by OSIF in Puerto Rico under Act

12 273?

13 MR. GARLINGHOUSE: You would have to  
14 translate that one for me. Sorry, I --

15 MS. ST. CLAIRE: All right, I guess I'm --

16 MS. CLAMAN: It's a technology.

17 MR. GARLINGHOUSE: OFEs [sic], yeah, sorry.

18 MS. ST. CLAIRE: No, no, no, I'm happy to.

19 I didn't know --

20 MR. GARLINGHOUSE: That was over my head.

21 MS. ST. CLAIRE: So OSIF, Office of  
22 Financial Institutions in Puerto Rico, 2017, we helped  
23 craft the infrastructure for Act 273, which allows IFE  
24 licenses focused in crypto banking with a host of  
25 permissions.

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1 MR. GARLINGHOUSE: Oh, yeah, yeah, yeah.

2 MS. ST. CLAIRE: So I haven't worked with  
3 them, that's great. I just wanted to --

4 MR. GARLINGHOUSE: I'm mildly familiar with  
5 this, in the context of a number of different crypto  
6 companies decided to domicile in Puerto Rico, and I  
7 actually think so people -- people I know, decided  
8 they were going to relocate to live in Puerto Rico for  
9 tax reasons. I'm not super close to it. I've  
10 actually -- we would love to learn more about it  
11 afterwards and hear about it.

12 MS. ST. CLAIRE: Great. I'll come talk to  
13 you. Thank you very much.

14 MR. GARLINGHOUSE: Thank you.

15 MS. CLAMAN: This gentleman right here.

16 MR. BRUNO: Phil Bruno from McKinsey.  
17 Around the world many central banks and banking  
18 systems are setting up real-time payment systems so  
19 you can move money from one account to the other in  
20 two seconds or less.

21 MR. GARLINGHOUSE: Yeah.

22 MR. BRUNO: And in Scandinavia this year  
23 they're standing up a company called P27 so you can  
24 now move currency across border in four countries.  
25 Why don't we just link up these real-time payment

0041

1 systems and be done with it?

2 MR. GARLINGHOUSE: Yeah.

3 MR. BRUNO: Like why do we need crypto or --  
4 Ripple or cryptocurrency?

5 MR. GARLINGHOUSE: I think it's a great  
6 question. I'm going to answer it in two different  
7 ways.

8 First, I'm going to say I imagine a number  
9 of people in here have a PayPal account and you

10 probably have a Venmo account. Have you ever tried to  
11 move money from Venmo -- PayPal owns Venmo, just to be  
12 clear -- have you ever tried to move money from Venmo  
13 to PayPal? You can't do it. You have to go Venmo,  
14 back to your bank, and then back to PayPal.

15 The -- the reason I start with that answer  
16 is in the perfect world what we -- we see an  
17 inoperable payments network world of the future where  
18 all payments networks are interoperable. The world we  
19 live in today, and I'm using PayPal and Venmo as the  
20 example, is highly not interoperable. What you're  
21 talking about, you know, the U.S. Fed and the faster  
22 payments, that's a domestic clearing. You know, we  
23 actually think yes, that would be fabulous. Actually,  
24 Ripple is one of the -- the kind of leads on that  
25 taskforce. At some point, though, you have to go from

0042

1 the U.S. dollar to another currency.

2 There are examples in the -- as you describe  
3 in the Nordics that are coming together in small  
4 pockets. You know, the question is can you do that  
5 across hundreds of countries, or you know, a couple  
6 hundred countries and you know, thousands or tens of  
7 thousands, or hundreds of thousands different payment  
8 networks? We see a world where today the Internet of  
9 information uses TCPIP and HTTP to enable interop  
10 really across information networks.

11 How do we enable interoperability across  
12 payment networks so that if I want to go from my BAML  
13 account to Paytm, leading mobile wallet in India, and  
14 it's Mother's Day, I want to send my mom 100 U.S.  
15 dollars, that I can do that with no big deal? Today,  
16 to send that \$100 to my mom in India, you know, would  
17 be very expensive and very uncertain as to how it  
18 would ever get to Paytm, a -- the largest mobile  
19 wallet provider in India.

20 So I view those as all positive  
21 developments.

22 You know, some governments have much -- some  
23 domestic governments like -- Mexico's local clearing  
24 is way better than the United States. That's good.  
25 You know, now if we get into one -- with MoneyGram, we

0043

1 get into one bank in Mexico, we will get to any other  
2 bank in Mexico in sub one hour. That's way better  
3 than the United States, so I think we want to see that  
4 advancement.

5 MS. CLAMAN: The lovely lady in the way  
6 back.

7 MS. DARST: Hi. My name is Rebecca Darst.

8 I'm a Topeka High School alumna, by the way, so --

9 MR. GARLINGHOUSE: Hey, (indiscernible).

10 MS. DARST: -- hi. That's it. So I just  
11 wanted to ask you quickly, you mentioned a -- that you  
12 see limited use case scenarios for consumer  
13 applications. But I wondered how you feel about a --  
14 whether you see a future for Ripple and/or XRP and/or  
15 cryptos generally in asset tokenization, specifically,  
16 which I know has gotten some attention lately.

17 MR. GARLINGHOUSE: Yeah. So first of all,  
18 I'm from Topeka, Kansas and she is also apparently.  
19 That was a long time ago. But the -- the tokenization  
20 of assets and making it more fungible, I do think  
21 there's some interesting projects going on in this  
22 space in the crypto world. There's people saying,  
23 hey, you know, you want to buy -- you know, buy as an  
24 investment, you know, say an apartment building in  
25 London, but you don't want to buy a whole apartment

0044

1 building, can people tokenize the apartment building  
2 and then allow me to buy part of it and then benefit  
3 from that appreciation I think is the question you're  
4 asking. I actually do think that's interesting. I  
5 don't know much about it. I think one of the  
6 challenges for the crypto industry has been there's a  
7 lot of ideas and not as much execution. I want  
8 projects like that to be successful.

9 Look, Ripple has invested about \$500 million  
10 in other crypto projects around the ecosystem. And  
11 now, part of that is because sure we want to make  
12 money, but part of that is because we want the  
13 whole -- we want all boats to rise. And so and  
14 actually, you know, and I'm going to really screw this  
15 up, and I hate that this is being videoed out, but we  
16 invested in a company that's doing something like  
17 that, I think it's called Securitize, and the CEO of  
18 that company is going to send me an email and be  
19 really angry that I can't remember.

20 MS. CLAMAN: Well, that's the one thing  
21 about Ripple here you guys should know, is that  
22 they -- in a time when a lot of these coins and  
23 these -- these systems are going under or  
24 consolidating, Ripple just bought Algrim, which is an  
25 Icelandic company. You guys are doing Volton

0045

1 acquisitions, right?

2 MR. GARLINGHOUSE: Yeah.

3 MS. CLAMAN: And clearly this --

4 MR. GARLINGHOUSE: We -- we bought -- well,  
5 the first four and a half years I was at Ripple we

6 didn't buy a single company because my attitude was  
7 focus, focus, focus, gain traction in what we're doing  
8 in the -- you know, like maybe when the .com bust  
9 happened, you know, the strongest used that as an  
10 opportunity to -- to, you know, acquire things and add  
11 things on.

12 You know, I -- we talked a little bit about  
13 how I've always been enamored with Amazon and kind of  
14 watching how they grew during that time. I certainly  
15 thing where Ripple is, we're at a very strong  
16 financial position, not just from the investments  
17 we're making, but we've also made two acquisitions in  
18 the last few weeks. It's kind of, you know, they're  
19 both small acquisitions but to kind of bolster this,  
20 take advantage of, you know, "crypto winter."

21 MS. CLAMAN: And the engineers that come  
22 with it.

23 MR. GARLINGHOUSE: Yeah.

24 MS. CLAMAN: Are we way behind when it --  
25 and bankers are dealing with this, too, in training

0046

1 and teaching engineers in this country?

2 MR. GARLINGHOUSE: Yes. And you know,  
3 Ripple is trying to help on that. We announced  
4 something called the University of Blockchain Research  
5 Initiative. We gave away \$50 million of grants to  
6 schools, about half in the United States, half outside  
7 the United States, to actually see blockchain research  
8 and blockchain education at universities because we do  
9 feel like this is a 10- or 20-year evolution of how  
10 technologies can apply.

11 MS. CLAMAN: But not K through 12, right? I  
12 mean, don't you have to --

13 MR. GARLINGHOUSE: Yeah.

14 MS. CLAMAN: -- lay the groundwork?

15 MR. GARLINGHOUSE: Yeah. The -- yeah.

16 We're not -- yeah, we were focused on the --

17 MS. CLAMAN: Okay. That's your next  
18 project?

19 MR. GARLINGHOUSE: Yeah.

20 MS. CLAMAN: Any other questions as we wrap  
21 this up? Yes, sir.

22 MR. NIEDERSTE-OSTHOLT: Thank you. Max  
23 Niederste-Ostholt with Rally Rd. I was wondering if  
24 you could start over again right now, what would be  
25 sort of the perfect use case that you would want to

0047

1 get into? Or are there use cases that you think are  
2 better than Ripple that you might want to pursue?

3 MR. GARLINGHOUSE: You know, when I joined

4 Ripple, we were a small company, it was about four and  
5 a half years ago, and there were three use cases the  
6 company was focused on. One was a smart contracts  
7 platform called Kodius, using the XRP Ledger. The  
8 second was a company, kind of a -- or project called  
9 Global Identity. And the third was the payments  
10 thing.

11 I -- my view is we had to focus, focus,  
12 focus, focus, and choose one, and if we were lucky  
13 with that one over a period of years, maybe we would  
14 get the opportunity to do Number 2 or Number 3 or  
15 Number 4.

16 I don't look back -- I mean, given what has  
17 transpired, one could argue that we should have  
18 focused more on smart contracts, and what happened  
19 with the Ethereum network. I don't regret that. I --  
20 I think the payments --

21 You have, you know, north of \$20 trillion  
22 dollars going cross border each year. It is fraught  
23 with, you know, error rates and it's slow. It's  
24 expensive. It -- for me, it's the classic like  
25 Silicon Valley going up against the big behemoth

0048

1 goliath, but it's so broken. I mean, when I go talk  
2 to banks, it's a beautiful thing for me because banks  
3 don't like SWIFT. You know, they're frustrated with  
4 SWIFT. Their customers don't like SWIFT. And like  
5 that's a great place to be when you're selling into  
6 that.

7 So the -- do I think there's other vertical  
8 use cases that maybe if I went back could we do it  
9 differently? Yeah. Sometimes I -- I wonder that.  
10 But I also think we have been so fortunate through a  
11 little of luck and a little bit of skill that we find  
12 ourselves with a lot of momentum in, I think, really  
13 solving a problem using these technologies at scale.

14 MS. CLAMAN: This is such an important  
15 morning. I hope you guys all appreciate this c you're  
16 at the forefront of getting Brad's story about Ripple,  
17 cryptocurrency and the networks here. Thank you so  
18 much.

19 And if you have other questions, a little  
20 bit of a tease here, afterward I'm going to be  
21 interviewing Brad, once the room clears, and it will  
22 air at 3:00 p.m. Eastern on the Claman Countdown on  
23 the Fox Business Network. But I will have a surprise  
24 question for him that he doesn't know I'm going to  
25 ask, so you have to tune in if you can.

0049

1 MR. GARLINGHOUSE: Thank you everyone.

2 MS. CLAMAN: Thank you so much to the  
3 Economic Club of New York.

4 MS. VAN ALLEN: Thank you both. That was  
5 just a terrific conversation --

6 (End video file.)

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1 TRANSCRIBER'S CERTIFICATE

2  
3 I, Elaine LaRosee, hereby certify that the foregoing  
4 transcript is a complete, true and accurate  
5 transcription of all matters contained on the recorded  
6 proceedings in the matter of:  
7 Ripple CEO Brad Garlinghouse at The Economic Club of  
8 New York.

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Interview with Brad Garlinghouse, 10/23/2019, via DC Fintech Week

<https://rollcall.com/events/fintech-week-2019/>

As part of the 3rd Annual **DC Fintech Week**, CQ Roll Call hosted leading experts to discuss Blockchain Infrastructures. This one-day event was part of Washington's singular fintech innovation and global policy forum, where thought leaders from fintech firms across the country describe their business, and explain how their services intersect with markets for a Washington, DC audience consisting of policymakers, market participants, lawyers, and thought leaders.



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1 UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
2  
3 In the Matter of: )  
4 ) File No. NY-09875-A  
5 RIPPLE )  
6  
7 SUBJECT: Brad Garlinghouse, CEO of Ripple, at  
8 Washington DC's Fintech Week Interviewed  
9 With Chris Brummer - YouTube (1)  
10 PAGES: 1 through 48  
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18 VIDEO TRANSCRIPTION  
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25 (202) 467 9200

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1 P R O C E E D I N G S  
2 Brad Garlinghouse, CEO of Ripple, at Washington DC's  
3 Fintech Week Interviewed with Chris Brummer - Youtube  
4 (1)  
5 ANNOUNCER: For our second keynote of the day,  
6 I am delighted to welcome Ripple CEO Brad Darlinghouse  
7 (sic) to the stage along with Chris.  
8 Prior to Ripple, Brad served as the CEO of the  
9 file collaboration service Hightail. From 2009 to 2012,  
10 he was president of consumer applications at AOL and  
11 held -- and prior to that held previous executive  
12 positions at Yahoo from 2003 to 2009, including senior  
13 vice president. Early in his career, Brad helped the --  
14 to pioneer the voiceover IP industry as CEO of Dialpad  
15 Communications. He currently serves on the board of  
16 directors of OutMatch and has held board positions at  
17 Ancestry.com, Tonic Health.  
18 And interviewing Brad is Chris, and I will  
19 turn it over to you guys.  
20 MR. BRUMMER: All right, great. Brad, thank  
21 you so very, very much for coming by to --  
22 MR. GARLINGHOUSE: Glad to be here.  
23 MR. BRUMMER: -- to, you know, out of Silicon

24 Valley to DC's FinTech Week.

25 MR. GARLINGHOUSE: The eco chamber of Silicon  
0003

1 Valley.

2 MR. BRUMMER: Ah, because we nothing of that  
3 here in Washington.

4 MR. GARLINGHOUSE: (Laughing.)

5 MR. BRUMMER: No, seriously, thank you, we  
6 know that you're really busy, and the fact that we have  
7 so many great participants throughout the week from  
8 industry, from our top regulators, and from really folks  
9 who are on the front lines in the crypto space and the  
10 blockchain space, it's just a delight to have you.

11 So, today is, as I had mentioned earlier with  
12 Chairman Clayton, a pretty big day in Washington. We  
13 have Mark Zuckerberg who has been testifying on the  
14 Hill, and we've been gathering sort of interesting  
15 snippets of information, and I know you've been keeping  
16 an eye also on his remarks. I just want to start off  
17 with asking you, what's your impression of the Libra  
18 Project and --

19 MR. GARLINGHOUSE: You mean white paper.

20 MR. BRUMMER: Ah, this is true. This is true.

21 MR. GARLINGHOUSE: Right. Just so we're  
22 clear.

23 MR. BRUMMER: The -- this is -- that's  
24 absolutely true. The Libra white paper and sort of the  
25 buzz, good and bad, that it's sort of generated and the  
0004

1 attention --

2 MR. GARLINGHOUSE: Yeah.

3 MR. BRUMMER: -- that it's directed towards  
4 the crypto industry.

5 MR. GARLINGHOUSE: Well, so I'll start with, I  
6 mean, you just look at even this event, you look at how  
7 far this industry has come in really not that long of  
8 time, and I think it's incredibly positive for the whole  
9 industry. You know, Chris and I spoke earlier this  
10 morning, and one of the things I -- we kind of mutually  
11 observed is had you predicted that, you know, the CEO  
12 and chairman of one of the most valuable companies on  
13 the planet be testifying in front of Congress about  
14 crypto and that the President, regardless of what you  
15 think of his Tweets --

16 MR. BRUMMER: (Crosstalk.)

17 MR. GARLINGHOUSE: -- was tweeting about  
18 crypto, you know, it's just amazing to me how far the  
19 industry has come. You know, look, Libra, specifically  
20 the white paper, I think there's a lot of things still  
21 to be figured out. You know, when the white paper first

22 came out it was very much kind of positioned more as it  
23 was going to be a new Fiat currency. They've  
24 backtracked on that.

25 You know, today in the testimony they talked

0005

1 about it being a way to extend America's financial  
2 leadership. The last time I checked, Libra's based in  
3 Switzerland. That's a little confusing. Look, I think  
4 any time you have a white paper, it's early, and you're  
5 figuring stuff out.

6 MR. BRUMMER: (Crosstalk) a new global  
7 currency --

8 MR. GARLINGHOUSE: Yeah.

9 MR. BRUMMER: -- according to the American --

10 MR. GARLINGHOUSE: I mean, look, I really  
11 do -- and some of you have heard me say this, but at  
12 Ripple we think a lot about -- we want the whole crypto  
13 ecosystem to thrive. I genuinely believe that -- I  
14 don't look out there at other projects and think oh,  
15 that's going to -- that's bad for Ripple. Most of these  
16 projects, like if they're good, if they're successful, I  
17 think that's good for crypto, it's good for blockchain,  
18 it's, by extension, good for Ripple.

19 You know, Ripple is today, if not the leader  
20 in the space, one of the leaders, without question. And  
21 so, I think I want the whole industry to grow. I view  
22 it as analogous to when I moved to Silicon Valley in  
23 1997, and the internet as we know it today was still a  
24 little, you know, tiny embryo growing. And I think it's  
25 kind of analogous to where we see crypto and blockchain

0006

1 today.

2 MR. BRUMMER: Well, speaking then of Ripple,  
3 and I think it's really useful, you know, we have some  
4 world famous economists, and lawyers, and policy-makers  
5 scattered in the crowd, but there are lots of  
6 cryptocurrencies. And, you know, one of the questions  
7 that was always sort of has tagged along with  
8 conversations on Libra is, you know, are people able to  
9 just differentiate the different cryptocurrencies. And  
10 each one, particularly the more established  
11 cryptocurrencies, but even some of the sort of start-up  
12 cryptocurrencies have varying ecosystems with the  
13 different --

14 MR. GARLINGHOUSE: Right.

15 MR. BRUMMER: -- features to them. So maybe  
16 you can just walk our audience through, you know, what  
17 Ripple does, and to walk through the X -- what the  
18 particular cryptocurrency of XRP is designed to do.

19 MR. GARLINGHOUSE: Yeah. So, in its simplest

20 form, Ripple is an enterprise software company that  
21 sells software to banks and financial institutions. We  
22 use as part of our text stack a open source digital  
23 asset called XRP. We own a lot of XRP, and so we are  
24 certainly interested in the success of that broadly  
25 defined.

0007

1 But, you know, I think there's a lot of  
2 intentional misinformation and sometimes just confusion  
3 in the marketplace about what is Ripple versus what is  
4 XRP, you know. And that has I think -- this  
5 misinformation and the fud that gets spread, I think its  
6 kind of bad for the whole industry, and makes it harder.

7 I mean, I -- you know, Chairman Clayton,  
8 who -- I think it's also just a huge sign of how far  
9 we've come that the Chairman of the SEC is coming here  
10 and spending time with us is I think a big positive  
11 deal. I give him a huge shoutout and round of applause  
12 for that.

13 MR. BRUMMER: Yeah.

14 MR. GARLINGHOUSE: I think that the  
15 misinformation makes it harder for regulators to do  
16 their job. You know, as Chris knows, you know, one of  
17 the announcements that Ripple has made this week is  
18 we're opening a DC office at a time when I think a lot  
19 of companies and space are running away from DC, we're  
20 running towards DC.

21 We announced the creation of the office, and  
22 Michelle Bond, who is here, is going to be leading that  
23 office. And we announced that Craig Phillips, who  
24 formerly was a counselor to Secretary Mnuchin in the  
25 Treasurer, joined our board of directors. And I think

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1 they're both indications that we are continuing to  
2 invest in making sure there's clarity in Washington,  
3 clarity frankly globally with how digital assets -- you  
4 know, the different functions and forms.

5 I think as Chris knows, I think it's very  
6 dangerous to paint any industry with one broad brush,  
7 and I think that's certainly true in the crypto  
8 community. And when that happens, I think we're doing a  
9 disservice to those that are maybe working more  
10 constructively with industry as opposed to those who are  
11 trying to circumvent regulation and circumvent laws.

12 MR. BRUMMER: And again sort of getting to XRP  
13 itself, you know, cryptocurrencies, and particularly  
14 when you get into the world of regulation, it's all a  
15 question of definitions, both definitions from a  
16 regulatory standpoint, but also definitions from a  
17 market and industry standpoint.

18 And it's fascinating because, you know, if you  
19 were to ask your average American, your average American  
20 knows on the one hand they've maybe heard of Bitcoin,  
21 and because of what happens on the Hill, they know that  
22 Facebook has something, maybe they'll know what the word  
23 Libra is, and then in between -- you know, it's anyone's  
24 guess, much less the smaller cryptocurrencies.

25 But with XRP you describe the -- you know, its  
0009

1 use case as not so much a cryptocurrency but as a bridge  
2 currency. Could you just sort of walk us through what  
3 that is supposed to mean as a use case?

4 MR. GARLINGHOUSE: Yeah. Well, I'll first  
5 talk -- I will get to describe what that means as a use  
6 case. I'll first describe why I don't typically refer  
7 to XRP as a cryptocurrency, and frankly I don't refer to  
8 Bitcoin as a cryptocurrency also because I did happen to  
9 go to Starbucks earlier today and it's about two doors  
10 over, and I use -- actually I used a Visa card to pay  
11 for it. I could have used my Starbucks app, I could  
12 have used Dollars.

13 But the challenge sometimes in Silicon Valley,  
14 the eco chamber I was referring to earlier, is you have  
15 technologies in search of a problem versus a problem in  
16 search of a technology. And I think for Tier 1  
17 economies, let's say the G20, it's not clear to me that  
18 the currencies in those markets -- the Dollar works  
19 well, the Yen works well, the Euro works well, and I  
20 don't see these things as penetrating consumer use cases  
21 at scale any time soon.

22 Now, people often point out that you have  
23 economies where you don't have a strong Fiat currency,  
24 and I think that's a different story.

25 The way we are using XRP is really to solve an  
0010

1 institutional liquidity problem. So today, as many of  
2 you guys know -- well actually many of you may not know,  
3 but the way banks manage money is they'll prefund, and  
4 so the Bank of Chris, you can be the Mexican Peso, I'll  
5 be the U.S. Dollar. I would -- the Bank of Brad would  
6 prefund the Bank of Chris, I'd put, you know, 20 million  
7 dollars there then over time that would get debited, and  
8 then I would re-up.

9 But that means there's dormant capital sitting  
10 in almost -- the engine that is correspondent banking,  
11 the engine that is international payments, any engine  
12 needs oil. The oil that exists in international  
13 payments is that prefunding. That prefunding represents  
14 10 trillion dollars of prefunded just kind of dormant  
15 capital sitting there to grease that engine.

16           If we as -- what Ripple is trying to do is we  
17 are going to make that 10 billion down to nine billion  
18 down to five, you've massively made the global economic  
19 engine more efficient. You can take that five trillion  
20 dollars, it went from 10 trillion to five trillion, and  
21 you could reinvest it in all kinds of stuff, whether  
22 it's -- I mean, you could dividends, you could do  
23 working capital, you could hire more people, you could,  
24 you know, fill in blank. That's just good for  
25 everybody.

0011

1           By reducing the friction on these kinds of  
2 payments, I think you will find that segments of the  
3 population that are underbanked or unbanked can now --  
4 we can offer products to them. You know, when we talk  
5 about the unbanked and the underbanked, people often I  
6 think get confused because banks -- the Bank of Chris is  
7 a profit motivated entity. You're a capitalist, you  
8 want to -- if you could serve a customer properly --

9           MR. BRUMMER: But a fine bank.

10          MR. GARLINGHOUSE: A fine bank, a very  
11 reputable bank.

12          MR. BRUMMER: Thank you.

13          MR. GARLINGHOUSE: Just don't do a Tier 1  
14 capital ratio on him but --

15          MR. BRUMMER: (Crosstalk.)

16          MR. GARLINGHOUSE: Sorry, that was a little  
17 bank humor that didn't work.

18          MR. BRUMMER: Wah-wah.

19          MR. GARLINGHOUSE: Yeah, sorry. Anyway, the  
20 point being I think we can make the whole industry way  
21 more efficient, and Ripple's ready to focus on that.  
22 We're trying to use XRP for that purpose. And I think  
23 that broad brush of crypto sometimes, you know, people  
24 don't understand the different use cases.

25          Look, I'll tell you one other interesting

0012

1          shoutout. Congressman Budd today, the Representative  
2 from North Carolina, asked a question of Mark  
3 Zuckerberg, and the point -- his question, the construct  
4 was roughly look, there's digital assets like Bitcoin,  
5 Ether, and XRP, and how do you compare that and, you  
6 know, those are digital assets.

7          MR. BRUMMER: That's right.

8          MR. GARLINGHOUSE: And it -- you know, I think  
9 the regulatory clarity is helpful and I -- you know, I  
10 thin it's good that -- we need more Congressman Budds  
11 educated and educating to have people understand the  
12 different use cases and how they should be regulated.

13          MR. BRUMMER: Only because it was brought up,



14 Mark Zuckerberg, and I -- one of the issues that's come  
15 up lately is you do have some members of the Libra  
16 Association, which was the governing body -- which will  
17 be the governing body for the Libra system, some folks  
18 have opted out of that system.

19 MR. GARLINGHOUSE: I read that.

20 MR. BRUMMER: And -- I'm sure you probably  
21 did, you may have seen it. And when asked, and I'm  
22 paraphrasing, but when asked this morning, Mr.  
23 Zuckerberg had responded by saying well, you know, they  
24 noticed that getting involved is risky. If part of the  
25 job or part of your business is building a market

0013

1 infrastructure, and one that is working with legacy  
2 financial institutions, right, like part of that is  
3 letting them know exactly what you do.

4 And crypto is very new and, you know, on the  
5 market side and on the regulatory side there's just a  
6 ton of uncertainty. You had a -- at the end of our  
7 conversation with Clayton, one of your big XRP advocates  
8 had asked -- with hand raised had asked the Chairman to  
9 make declaratory sort of statements about the -- about  
10 XRP and its status as a security or not.

11 But I'm interested in how companies, crypto  
12 companies, crypto firms just more generally also  
13 navigate uncertainty, right, and particularly this  
14 question of regulatory uncertainty. As I had mentioned  
15 with the Chairman, more than a couple of -- not just  
16 sort of sponsors of crypto projects, but also market  
17 infrastructure providers have, you know, either  
18 commented on or clamored for more clarity.

19 So how exactly, you know, from your seat as a  
20 CEO, how do you navigate and do your job, you know, in a  
21 world of uncertainty in terms of the regulation of  
22 your -- of one of -- or at least of XRP, a part that  
23 you're dealing in or at least involved in? And also,  
24 just the infrastructure providers who are looking for  
25 clarity themselves?

0014

1 MR. GARLINGHOUSE: Yeah, I mean, look I think  
2 I will borrow a comment that Commissioner Pierce, Hester  
3 Purse, made which I think I found to be very amusing and  
4 instructive. You know, her description -- the SEC, as  
5 many people know, published a new updated framework to I  
6 guess a next generation Howie test which had a whole  
7 bunch of information on there, and she commented that  
8 that seemed about as clear as a Jackson Pollock  
9 painting.

10 MR. BRUMMER: (Laughing.)

11 MR. GARLINGHOUSE: And I would generally agree

12 with that. And to, Chris, your question, I think, look  
13 anybody in this room who is an entrepreneur, whether  
14 you're dealing with digital assets or you're dealing  
15 with, you know, whatever it is, there's always  
16 uncertainty. You're dealing with something new, you're  
17 building something new.

18 And I think that the plight of any  
19 entrepreneurial dream, the plight of any entrepreneur is  
20 to, you know, look at the spectrum of uncertainties and  
21 figure out what do you know to be true, and then what do  
22 you -- you can't know to be true, and then chart a path  
23 forward.

24 You know, I don't know who said it, but an  
25 entrepreneur who is quoted often in Silicon Valley is if

0015

1 you're trying to predict the future, the best thing to  
2 do is to create it. I think in a world of uncertainty,  
3 the best thing to do is to charge ahead. And, you know,  
4 I certainly recognize that the SEC made a decision to  
5 declaratively say that Bitcoin is not a security, then  
6 Ether's not a security, then they have for about 18  
7 months stopped.

8 So, you know, look, I mean, should we stop?  
9 No. You know, we got to keep going. We're building a  
10 business. We're fortunate to have more and more people  
11 participating as customers of Ripple. We have more and  
12 more companies taking advantage of the efficiency of the  
13 XRP ledger. It's far -- you know, again I'm long  
14 Bitcoin, I am not bearish on bitcoin, but I think  
15 Bitcoin, given its cost per transaction and its speed of  
16 transaction, which is quite slow, it's not going to  
17 solve a payments problems.

18 You know, Satoshi's white paper may have  
19 described it as a payments network, but look, if each  
20 transaction of Bitcoin ledger costs about \$1.80 and  
21 takes about 10 minutes, you know, if you're going to use  
22 Bitcoin to buy your coffee, by the time you get your --  
23 well first, it's going to double the price of the  
24 coffee.

25 MR. BRUMMER: Yeah.

0016

1 MR. GARLINGHOUSE: Or I know -- actually,  
2 Starbucks is more than that, but it's not -- it's still  
3 going to add to the price, and by the time you get it  
4 it's going to 10 minutes of cooling off, which doesn't  
5 make sense.

6 By comparison, XRP transactions are about a  
7 thousand times cheaper per transaction and a thousand  
8 times faster per transaction. I think that's why a lot  
9 of people are starting use the XRP Ledger for things

10 that they had previously used Bitcoin for, or perhaps  
11 even Ether, you're seeing some of the scalability  
12 challenges there.

13 MR. BRUMMER: Well, but we were going to have  
14 Mr. Nakamoto, but we couldn't find him.

15 (Laughter.)

16 MR. GARLINGHOUSE: He's here or she is here.

17 MR. BRUMMER: But just as a brief aside,  
18 because you did say that you were also, you know,  
19 bullish on Bitcoin. You know, again getting back to one  
20 of those sort of spectrum questions to again sort of  
21 highlight, you know, the different use case for the  
22 Bitcoin versus Ripple --

23 MR. GARLINGHOUSE: XRP.

24 MR. BRUMMER: XRP. Where you have this idea  
25 of do you want to use a bridge currency for an

0017

1 international transaction. But you have decided to sort  
2 of focus -- XRP is interesting because as a bridge  
3 currency, it's not supposed to be used for things like  
4 buying coffee, right? Like -- and I guess the --

5 MR. GARLINGHOUSE: When you say supposed to,  
6 my attitude is like XRP's an open source technology,  
7 somebody in this room could or maybe is working on some  
8 incredibly cool XRP use case for consumers, and I say  
9 Godspeed. I'm saying what Ripple is doing -- my  
10 viewpoint is the challenge of dislocating Fiat currency  
11 in the G20 --

12 MR. BRUMMER: (Crosstalk.) Yeah.

13 MR. GARLINGHOUSE: -- like that's not what  
14 Ripple's focused on.

15 MR. BRUMMER: Mm-hmm.

16 MR. GARLINGHOUSE: Do I think there -- there  
17 are entrepreneurs. I mean, you know, BitPay, which is  
18 like kind of the leading crypto stripe, if you will, is  
19 going to be supporting XRP, and I think that's great. I  
20 think -- you know, when I think about really getting  
21 mass scale, I don't think replacing the Dollar at  
22 Starbucks down the street is going to happen any time  
23 soon.

24 MR. BRUMMER: So how did you go to the  
25 decision for Ripple at to what its business strategy is

0018

1 going to be, right, because --

2 MR. GARLINGHOUSE: Ooh, that's a good  
3 question.

4 MR. BRUMMER: You know, because then the  
5 universe of different sort of business strategies must  
6 have been, you know, I mean, even a couple years ago it  
7 was still pretty considerable.

8 MR. GARLINGHOUSE: Broad, yeah.

9 MR. BRUMMER: And so how did you then focus,  
10 you know, on the cross-border problem?

11 MR. GARLINGHOUSE: So, like if I have a piece  
12 of advice for entrepreneurs building in the blockchain  
13 space, the number one piece of advice I have is to  
14 focus. I think there are so many different interesting  
15 applications for how you can apply blockchain  
16 technologies to increase efficiency of transactions.  
17 Any industry that has a middleman, you can use a  
18 blockchain to arguably eliminate that middleman and  
19 reduce friction in terms of cost, speed, what have you.

20 So, that means there's a lot of industries,  
21 and I think one of the mistakes that some in the  
22 industry have made is they go super broad and not very  
23 deep. Ripple has done the opposite. We have gone  
24 extremely deep in how we can use our technologies and  
25 how we can use the XRP open source ledger to solve a

0019

1 banking liquidity problem, and it's going really, really  
2 well.

3 We have -- we've announced well over 200  
4 customers. Some of the largest banks in the world are  
5 customers. You know, I remember not 18 months ago there  
6 was a New York Times reporter who said that, you know,  
7 no one's ever going to use XRP for liquidity. Guess  
8 what? You know, that we are far from that. You know, I  
9 got into this Twitter war with him about it which  
10 caused --

11 MR. BRUMMER: That's always good.

12 MR. GARLINGHOUSE: The PR team got very upset  
13 with me. They're around here. Sorry.

14 MR. BRUMMER: You know, which -- it's just  
15 fascinating, right, because folks both on the Hill,  
16 academics, this question of the use case sort of  
17 permeates all of crypto, and it's unusual where you can  
18 sort of see live examples sort of on the ground beyond,  
19 as you had mentioned, a sort of white paper phase.  
20 Could you take a second, and this is something slightly  
21 of an academic, because I am an academic, sort of  
22 question.

23 When you look at the ecosystem, and also when  
24 you look at how you're trying to drive sort of Ripple as  
25 a business entity, like how do you look at organizations

0020

1 like SWIFT? Because when I look at Ripple, I can't ever  
2 really tell, you know, on the one hand like oh wow,  
3 these guys are kind of going after SWIFT, that's pretty  
4 ambitious. But then I can also see kind of ways in  
5 which there's cooperation and you could see some kind of

6 potential collaborations.

7 I mean, how is it -- what do you think about  
8 SWIFT? What does your business model sort of look like  
9 when you think of it and to be like SWIFT, and you're  
10 really swinging for very, you know, big targets?

11 MR. GARLINGHOUSE: Look I'm somewhat  
12 sympathetic to the plight that SWIFT has. You know,  
13 this is a technology framework developed four or five  
14 decades ago that really has not evolved to keep up with,  
15 you know, technologies -- internet-based technologies.  
16 And one of the challenges they have is it's not a  
17 traditionally corporate run structure.

18 I mean, yes, there's a CEO, but it's more of a  
19 consortium, a cooperative, and you don't have kind of  
20 shareholders in the traditional sense, and so sometimes  
21 decision making isn't -- it's driven more by, you know,  
22 what do the existing cooperative members want to see  
23 happen.

24 And, you know, I have compared SWIFT. It's a  
25 little bit like if I decided I was going to send you a

0021

1 postcard, I'd write Chris, put your address on it, stick  
2 it on the mailbox. I have no idea what happens after I  
3 stick it in the mailbox. As a matter of fact, I don't  
4 even know if you got it. The only way I know you got it  
5 is because you send me a text or something, hey, that's  
6 a nice postcard, whatever.

7 I mean, that actually is how SWIFT kind of  
8 works today. You send this SWIFT transaction, a SWIFT  
9 message out there. You don't know if the person --  
10 other than someone telling you they received the funds  
11 via email, or phone, or what have you, you don't even  
12 know if they got the money.

13 I think that look, we have moved into a world  
14 where we expect the ability -- up here on stage I could  
15 go to Door Dash and -- or whatever the local one is in  
16 Washington, DC, and probably get ice cream delivered to  
17 me before the 20 minutes is up on this screen up here.  
18 Sorry you guys can't see that. You know, that's a crazy  
19 real-time world, yet in a -- you know, many people have  
20 heard me say it's crazy to me that the fastest way to  
21 get money from Washington to London today is to drive to  
22 Dulles and fly it there.

23 And that's just, you know, not -- that's very  
24 surprising in 2019 in a world where we -- the internet  
25 as we know it today is very real time, and I think

0022

1 what -- at its core, what Ripple is trying to do is to  
2 stitch together disparate, inoperable --  
3 non-interoperable networks for interoperability.

4 The other one, and there might be somebody  
5 here from Paypal, which I apologize in advance. But  
6 look, I'm a Paypal customer, I'm a Venmo customer.  
7 They're owned by Paypal. If I want to move funds from  
8 Paypal to Venmo, go read the FAQs, and it describes how  
9 you move Paypal money back to your bank, and from bank  
10 back to Venmo. Like if that's not the definition of  
11 non-interoperable networks by one company, you know.  
12 But that's the state of payment networks on planet Earth  
13 today.

14 MR. BRUMMER: Well, what do you -- or how do  
15 you do stable coins? I mean, because these are also  
16 other kinds of solutions are -- that people are trying  
17 think through, many still, you know, in their white  
18 paper stage. I guess, is anyone sort of -- there's  
19 debate as to whether or not Libra's would have  
20 constituted a real stable coin or not. It sounds like  
21 from what I've heard on the Hill that they may be  
22 rethinking how they want to operationalize, you know,  
23 their basket and whether or not they want to have a  
24 basket of different currencies.

25 MR. GARLINGHOUSE: Well, if it's a basket,

0023

1 it's really an ETF, right?

2 MR. BRUMMER: And it is an E --

3 MR. GARLINGHOUSE: And if I were Chairman  
4 Clayton, and I were looking at Libra's first definition  
5 of what it was going to be, it would be regulated as an  
6 ETF.

7 MR. BRUMMER: Right.

8 MR. GARLINGHOUSE: It's a basket of currencies  
9 that you can buy through one vehicle, that's an ETF.

10 MR. BRUMMER: Well, certainly some of the  
11 terminology that was used to -- very closely resembles  
12 the kind of terminology that you see in an ETF. Do you  
13 view -- like how do you view stable coins, how do you  
14 think that stable coins will impact your business?

15 MR. GARLINGHOUSE: So, the good thing is a  
16 stable coin of the U.S. Dollar, a stable coin of fill in  
17 blank, still needs to drive interoperability to  
18 another -- across another network and to another  
19 currency.

20 MR. BRUMMER: That's right.

21 MR. GARLINGHOUSE: And so when -- again I go  
22 back to like we're trying to enable friction -- as low  
23 friction as possible as fast as possible  
24 interoperability between these various networks, between  
25 these various currencies, and in that context we think

0024

1 the liquidity of the XRP Ledger and XRP, you know,

2 market allows that to happen extremely efficiently.

3 I think it's interesting to see what's  
4 happening in stable coins. I think in some ways they've  
5 exceeded where I thought they were going to be. But to  
6 be clear, I think stable coins are here to stay. I  
7 think there's going to be more and more of them. And,  
8 you know, I'm intrigued by those that are launching new  
9 stable coins.

10 MR. BRUMMER: Have they performed better than  
11 you had --

12 MR. GARLINGHOUSE: Yes. Yeah. I thought  
13 originally when the first stable coins were being  
14 announced I didn't -- I feel like I kind of was like  
15 this might be just a passing fancy, and I think I was  
16 wrong about that.

17 MR. BRUMMER: Well, when you look at, you  
18 know, the valuation of cryptocurrencies, there were some  
19 people in the audience, we had like a collection and a  
20 book coming from last year's FinTech Week where one of  
21 the chapters tried to think through the valuation of a  
22 cryptocurrency.

23 Number one, what do you think XRP is worth?  
24 And then B, how do you, you know -- I mean, you said you  
25 hold a lot of it so, you know, what do you think the --

0025

1 it's actually worth and, you know, just in general --

2 MR. GARLINGHOUSE: Can I look at my phone?  
3 I'll tell you what it's actually worth. I think it's  
4 at --

5 MR. BRUMMER: Not the market value, we want  
6 the real value here. And then secondly, you know, how  
7 easy or hard do you think it is to, you know, put a  
8 value or price on, you know, some of the more  
9 established cryptocurrencies generally?

10 MR. GARLINGHOUSE: Look the only thing I know  
11 for sure is the total market cap of all crypto is  
12 somewhere around 250 billion. I think today Bitcoin's  
13 dominance of that is like 65 percent. It is a -- I  
14 think kind of a fool's errand to predict where -- is  
15 that going to be higher or lower tomorrow.

16 You know, if I understood what's driving the  
17 crypto markets on a day to day basis, I probably  
18 wouldn't be sitting here.

19 (Laughing.)

20 MR. BRUMMER: That's great.

21 MR. GARLINGHOUSE: You know, it's a mystery to  
22 me. There's days when Bitcoin goes up that I'm like  
23 wow, that seems like there's very positive macro  
24 dynamics unfolding, and then Bitcoin goes down. I  
25 don't -- you know.



0026

1 I think over the long haul -- well, there's a  
2 famous Warren Buffet saying that in the short term the  
3 markets are a voting machine and the long term they're a  
4 weighing machine. I don't know how long the long term  
5 is in the crypto markets. I don't spend a lot of time  
6 getting wrapped up in what's happening in the crypto  
7 markets over three days, or three weeks, or even three  
8 months.

9 MR. BRUMMER: Hmm. Speculation is and  
10 continues to be a driver in lots of the cryptocurrency  
11 markets more generally. When you think about the  
12 question of creating a use case specifically for any  
13 cryptocurrency you have to, especially when that  
14 cryptocurrency is trading on a market, you know, it  
15 creates I would assume certain kinds of just practical  
16 questions when you're trying to again engage with some  
17 of your legacy infrastructure providers.

18 What does the volatility -- how has the  
19 volatility of XRP impacted anyone who is operating in  
20 the ecosystem and trying to do something with it?

21 MR. GARLINGHOUSE: So, one of our products as  
22 I was describing earlier with, you know, the MoneyGram  
23 example, the Bank of Chris going from Dollars to Pesos,  
24 and I describing you use XRP as a kind of a shuttle, a  
25 bridge currency. What -- you know, people often ask

0027

1 like wait a minute, I could never use that because the  
2 volatility of the digital asset in XRP could, you know,  
3 obviate -- could mean that the transaction is not  
4 profitable if I'm, you know, selling that to an end  
5 user.

6 And I think this is a red herring issue, this  
7 is not a real issue with XRP. It's a real issue with  
8 slow transaction time digital assets. But here -- you  
9 know, somebody in this room I'm sure is more of a math  
10 quant than I am and will -- you know, you can correct me  
11 on the details here, but volatility measurement is both  
12 a measure of volatility and duration. And so, if you  
13 take a SWIFT transaction, and a SWIFT transaction let's  
14 say on average it's a three-day settlement time, that's  
15 about 260,000 seconds. Bear with me on that, I did the  
16 math.

17 So, if you take a low volatile asset like a  
18 Fiat currency over a long arc of time, and you compare  
19 that to a highly volatile asset like XRP, but an XRP  
20 transaction is about between three and four seconds.  
21 So, you have a high volatile asset over three or four  
22 seconds, or you have a low volatile asset over 260,000  
23 seconds, it turns out there's more volatility risk in



24 the SWIFT Fiat transaction.

25 MR. BRUMMER: Huh.

0028

1 MR. GARLINGHOUSE: That's just math. But what  
2 happens, though, when you're doing a SWIFT transaction  
3 is someone is selling you to hedge that transaction.  
4 They're saying I will settle that transaction in three  
5 days time at this price.

6 MR. BRUMMER: Right.

7 MR. GARLINGHOUSE: But I'm selling that to  
8 you. That's part of the price of the transaction.

9 Now you don't really need somebody to hedge  
10 the value in a three second transaction. Now by the  
11 way, if you do need someone to, eventually the  
12 marketplace will create that -- somebody will enter that  
13 and they will provide that.

14 MR. BRUMMER: And we're seeing that, yeah.

15 MR. GARLINGHOUSE: Now I don't think an XRP --  
16 I'm not sure it's ever needed, an XRP, because it's so  
17 fast (crosstalk.)

18 MR. BRUMMER: Well, that's what I was about to  
19 ask.

20 MR. GARLINGHOUSE: In Bitcoin, maybe -- you  
21 know, look if you wanted to use Bitcoin for payments,  
22 and you said well, the average transaction time is 10  
23 minutes, and you said look, there's been times when the  
24 price of Bitcoin's gone up two percent or down two  
25 percent in 10 minutes -- by the way, I don't know if

0029

1 that's the case.

2 MR. BRUMMER: Right.

3 MR. GARLINGHOUSE: Somebody smarter than me.  
4 Then you might have some market maker saying I'll hedge  
5 that for you.

6 MR. BRUMMER: Well, I mean, this is just -- I  
7 mean, I don't want to get too far off, but it's -- this  
8 is a really interesting point. I mean, you know, you  
9 are seeing the financialization, if one will, of certain  
10 cryptocurrencies. Futures contracts, for Bitcoin we had  
11 Heath Tarbert, the chairman of the CFTC at -- for  
12 FinTech Week on Monday, and he was talking about  
13 forward -- or futures contracts within the next six  
14 months for Ethereum, you know.

15 And that is an interesting sort of just  
16 general question, if one was to create sort of this  
17 larger hedging or derivatives market for something like  
18 XRP, you know, which is weird because you have all these  
19 other actors who may not have a direct financial  
20 interest sort of or stake, you know, how does that speak  
21 to speculation and/or, you know, a tradeoff of just

22 making people's lives a little bit more challenging when  
23 you're trying to navigate and build products off of a,  
24 you know, a platform or using a particular digital  
25 asset. So good luck with that if that comes your way.

0030

1 So, just a couple of questions. Since you're  
2 here in DC you have an opportunity. Literally we  
3 have -- oh, they're saying I --

4 MR. GARLINGHOUSE: Someone's --

5 MR. BRUMMER: Someone's telling me to ask Q&A.

6 Okay, that's fine. We will --

7 MR. GARLINGHOUSE: We're opening it up.

8 MR. BRUMMER: We will open it up for  
9 questions.

10 MALE: Brad, thanks for being here with us  
11 today. This is a really easy question for you.

12 MR. GARLINGHOUSE: I love the easy questions.

13 MALE: You might not love this one.

14 MR. GARLINGHOUSE: Uh-oh.

15 (Laughing.)

16 MALE: But I'd pay all my XRP to have you  
17 answer it. Maybe not. Not really. With Ripple focused  
18 on providing on-demand liquidity and the world facing  
19 what's probably the biggest liquidity crisis ever, what  
20 role do you see XRP, and XRP, Ledger and similar  
21 technologies playing in alleviating such a crisis?

22 MR. GARLINGHOUSE: Well, so if you think about  
23 like what causes those kinds of crises, one of the  
24 dynamics, and by the way, there's lots of inputs into a  
25 crisis like that. One of them is friction. One of them

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1 is time. If you can reduce friction as measured by time  
2 and cost, that's good. That's just a good thing to  
3 minimizing, you know, the risks of liquidity issues.

4 You know, like I don't pretend that XRP is a  
5 panacea for all of these issues. What I do believe is  
6 if we can successfully integrate into the existing  
7 system, we're going to more rapidly bring the benefits of  
8 these technologies to a much, much, much broader  
9 audience than if we try to circumvent the system.

10 So, I have been incredibly pleased by the  
11 engagement we've had, you know, ranging from the IMF to,  
12 you know, central banks. And, you know, look Ripple is  
13 going to continue to work with those players. That's  
14 part of the reason why we made the announcements we made  
15 this week about expanding or really creating our  
16 presence more concretely here in Washington, DC. And  
17 I'm optimistic that if these technologies continue to  
18 propagate across of course around banking, but other  
19 industries, that's going to be good for any liquidity

20 crisis.

21 MR. BRUMMER: Linda.

22 LINDA: Thank you.

23 MR. BRUMMER: Former Federal Reserve.

24 LINDA: So, congratulations on your 400 new  
25 customers. And I want to find out, what is the current

0032

1 volumes of payments going through Ripple right now  
2 amongst your bank customers?

3 And also, my background's in bank regulation,  
4 so I'm trying to understand how Ripple works with  
5 banking activities. If, depending on how the SEC comes  
6 out, whether XRP is determined to be a security or if  
7 not, then it would have to be most likely an intangible  
8 asset, then it would have to be deducted from the Basel  
9 capital requirements. How does this all work with your  
10 banking customers when they use your services?

11 MR. GARLINGHOUSE: I missed that very, very  
12 last part of the question. How does this all work with  
13 what?

14 LINDA: For your banking customers that use --

15 MR. GARLINGHOUSE: Banking customers, yeah.

16 LINDA: -- your services.

17 MR. GARLINGHOUSE: So, like there are a few  
18 different questions embedded in there. I'll start with  
19 I think the kind of the big elephant in the room given  
20 how Chairman Clayton's question ended earlier.

21 Look, I believe -- I, Brad Garlinghouse,  
22 believe it's very clear that XRP is not a security. I  
23 think there's a whole bunch of reasons for that. You  
24 know, one of them quite frankly is in the hypothetical  
25 world, Ripple could shut down. Literally I can fly back

0033

1 to California, send everybody home tomorrow, and there's  
2 140 exchanges around the world that trade XRP, and XRP's  
3 going to keep trading.

4 Now do I think it's great that if one major  
5 player in the XRP ecosystem isn't playing? Yeah, that's  
6 not great. However, I think, and I was actually trying  
7 to pull some data on this this morning, and I didn't get  
8 this. I think Coil is doing more XRP transactions per  
9 day right now than Ripple is. And the reason is that  
10 the Coil transactions are microtransactions, they're  
11 very, very, very small payments, and so the volume is,  
12 you know, much higher.

13 So look, I think the SEC is trying to think  
14 through not just for XRP but a whole bunch of different  
15 digital assets. How should we think about these things?  
16 I don't pretend it's a simple issue. I think -- the  
17 good news is I think that's a constructive conversation

18 and, you know, I'm not losing a lot of sleep that our  
19 customers aren't going to get -- be able to continue to  
20 use XRP to -- for liquidity based upon, you know, the  
21 SEC doing something.

22 The other part of your question I think was  
23 around volume. Look, one of the things -- people ask us  
24 a lot about volume, and I -- one of the things I want  
25 this audience to understand, banks don't want me to tell  
0034

1 you exactly what their volumes are going. Like that's a  
2 private thing for them. We have shared an aggregate.

3 You know, last year we ended up in the many  
4 tens of thousands of transactions. We're growing those  
5 transactions to a tune of 10X year over year, kind of  
6 doubling almost every quarter.

7 So, there's two dynamics that happen there, by  
8 the way. We're adding new banks, new financial  
9 institutions to the network, and that's good because  
10 that means there's more members, and they add volume.  
11 But then there's also more nodes on the network, so if  
12 you are a bank -- you know, I'm going to hypothetically  
13 describe Santander.

14 Santander is one of our major customers. They  
15 might have gone live with two corridors, and then next  
16 year -- you know, next quarter they add two other  
17 corridors, and two other currency pairs. And so, you  
18 have this exponential kind of growth because you're not  
19 just adding new banks and new financial institutions to  
20 the network, but they're adding more and more corridors.

21 I mean, even MoneyGram, which has been quite  
22 public about their work with us -- you know, I got a  
23 call from the CEO -- this -- I probably shouldn't say  
24 this.

25 (Laughing.)

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1 MR. BRUMMER: Please do.

2 MR. GARLINGHOUSE: I got a call from the CEO  
3 of MoneyGram two weeks and, you know, he's upset with us  
4 because we're not moving fast enough. That was an  
5 unbelievable like --

6 MR. BRUMMER: Yeah, yeah.

7 MR. GARLINGHOUSE: -- you don't often have  
8 that happen. And, you know, like I -- he wants us to  
9 launch on-demand liquidity, formerly known as xRapid, in  
10 more markets more quickly because they're having such a  
11 good experience with Mexico that they're like look, we  
12 want to be able to spread this more quickly, more  
13 aggressively.

14 So that's great, but we're not going to launch  
15 new markets until we've engaged regulators in those

16 markets. We know that the exchanges on the other end  
17 are robust, and compliant, and all the things that go  
18 with that.

19 MR. BRUMMER: Another question. Yes.

20 MR. GARLINGHOUSE: Jade.

21 JADE: Yes.

22 MR. GARLINGHOUSE: I met you earlier.

23 JADE: Yes, you did. Thank you. Good  
24 afternoon, everyone. So, I know Ripple is expanding and  
25 you're hiring massively through just the people that's

0036

1 been experienced, vested in government relation or maybe  
2 just in engineering. But what advice could you give  
3 just the students such as myself and who are not really  
4 blockchain experienced but want to be able to get  
5 involved in this new asset class, and just who are  
6 hungry and passionate just for the new revelation?

7 MR. GARLINGHOUSE: Yeah. Well look, I mean,  
8 one of the things at Ripple -- so we are about 400  
9 employees now and, you know, you -- if I see an employee  
10 at Ripple post a job description that says hey, we want  
11 somebody that has 10 years of experience in this  
12 industry, you're like wait, this industry didn't exist  
13 10 years ago.

14 (Laughing.)

15 MR. GARLINGHOUSE: So, the good news you have  
16 is you're not competing with somebody who has years and  
17 years of experience in crypto because the industry is  
18 still new.

19 I guess the best advice I have if you're  
20 thinking about getting into this industry is don't worry  
21 about what your job is on day one. You just want to be  
22 in the door. I mean, I can already look at employees  
23 who joined Ripple two or three years ago, and we've been  
24 fortunate because we're growing a lot, but they started  
25 doing X, and now they have been promoted twice, and

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1 they're doing something totally different because they  
2 are ambitious, they're smart, they're hardworking.

3 And, you know, so my advice to some degree is  
4 like don't worry about how to get in the door, just get  
5 in the door. And, you know, if you learn a skill set  
6 around this industry, betting the next 10, or 15, or 20  
7 years of your career on blockchain, regardless of where  
8 you start, I think is a good bet. And so, when I talk  
9 to, you know, young students who are thinking about, you  
10 know, which industry you want to bet on, when I came out  
11 of business school in 1997, I made a bet that the  
12 internet was an interesting space to do that.

13 You know, now four or five years ago I made a

14 bet that look I think blockchain is here to stay, and  
15 going to continue to grow and affect more and more  
16 industries. And so, I think, you know, if you're a  
17 student in this space at all, I think dive in with both  
18 feet -- or jump -- whatever.

19 (Laughing.)

20 MR. GARLINGHOUSE: Don't dive.

21 MR. BRUMMER: Well yeah, and that's -- I  
22 can't -- I talk so often to some of my colleagues at the  
23 European Commission, I can't remember if I came up with  
24 it or some of them. You know, what do you call -- you  
25 know, what will people be calling FinTech five years

0038

1 from now? And they answer finance, you know.

2 MR. GARLINGHOUSE: Yeah.

3 MR. BRUMMER: And -- but to get to some of the  
4 changes, we also have in the audience, I see the former  
5 general counsel for the IMF, and you were mentioning  
6 the -- and, you know, you do have not only a  
7 proliferation of sort of stable coins and new kinds of  
8 private sort of currency options or -- but you also have  
9 central banks getting much more actively involved in the  
10 digital asset space.

11 And we had a conversation a little bit about  
12 that earlier, especially earlier in the week where we  
13 had the heads of FinTech from some of the central banks  
14 who are sort of toying with different variations of an  
15 idea of central bank digital currencies.

16 I mean, what does that do to your business,  
17 and how does that shape and impact sort of the  
18 cryptocurrency space more generally?

19 MR. GARLINGHOUSE: Well one, look I think  
20 central bank issuing digital assets are analogous to  
21 stable coins, but obviously issued by the central bank.  
22 The thing that's confusing for me in -- well, I know  
23 there's at least one person here earlier from the Fed.

24 If I'm a bank, and I go to the -- and I have  
25 access to and I go to the Fed window today for

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1 liquidity, I'm not getting a crate of dollars. I'm --  
2 that's -- I'm getting a ledger entry, a digital ledger  
3 entry.

4 And so, it's a little bit confusing to me.  
5 You know, there's been a lot of attention, I think the  
6 testimony from Mark Zuckerberg today is, you know,  
7 talking in part about what's happening in China and the  
8 apparent intended launch of a central bank digital asset  
9 in China representing the RNB.

10 What I don't know -- I don't know how that --  
11 China works in this regard. I know enough about the

12 U.S. to be dangerous.

13 (Laughing.)

14 MR. GARLINGHOUSE: But I don't really  
15 understand, if the Fed window is giving me digitized  
16 dollars already, what's the difference between issuing a  
17 digitized dollar versus issuing a digital token  
18 representing a dollar. It -- you know, I've also made  
19 the same point about the JPM coin. I'm sure there's  
20 somebody here from JPMorgan.

21 MR. BRUMMER: Probably.

22 MR. GARLINGHOUSE: I'm just going to offend as  
23 many people as I can.

24 (Laughing.)

25 MR. GARLINGHOUSE: So, you know, the JPM coin,  
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1 the only way you get a JPM coin is if you deposit a  
2 dollar into your JPMorgan account. And you can only use  
3 the JPM coin intra JPM. How is that different than a  
4 JPM dollar? Like I don't get what the J -- why we had  
5 to tokenize the JPM coin. You know -- anyway, there's  
6 things like that --

7 MR. BRUMMER: Well, what's interesting,  
8 because as far as I understand from some of the -- there  
9 are conversations when people are thinking about this --  
10 for Libra what -- are you an ETF. Well, okay, if we  
11 remove the currencies from the basket, and we just make  
12 it into sort of a purely dollar-based basket then you  
13 just get into the question of are you just merely  
14 digitizing the dollar for that particular network.

15 MR. GARLINGHOUSE: Can I say one -- on Libra,  
16 just because you brought it up. You didn't ask this  
17 question, but I'm just going to --

18 MR. BRUMMER: No.

19 MR. GARLINGHOUSE: -- go. Look, I think a lot  
20 of people assume that I and Ripple are anti-Libra. I'm  
21 actually not anti-Libra at all. I think -- it's not  
22 competitive with what Ripple's doing, and I kind of view  
23 it as well, if Libra is going to be kind of a new  
24 payment network, well it's going to need to be  
25 interoperable with other networks. And so that's what  
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1 Ripple wants to do, so hey, Godspeed.

2 The reason why I think people perceive me as  
3 being anti-Libra is because one, I think that they have  
4 gone out into the marketplace in a way that was not good  
5 for crypto. Because, I mean, it was after Libra was  
6 announced that the President of the United States tweets  
7 out like I don't like cryptocurrencies. It was like ah,  
8 shit, you know.

9 (Laughing.)



10 MR. GARLINGHOUSE: You know, look --  
11 MR. BRUMMER: I'm sure it was a good day.  
12 MR. GARLINGHOUSE: Yeah. Look, I think what  
13 Libra and maybe Facebook got wrong is that any financial  
14 service -- the foundation of any foundation service is  
15 trust. It's trust. Facebook, by their own  
16 acknowledgment in today's testimony, they have a deficit  
17 on trust. We can debate is that fair, or unfair, or how  
18 we got here, but the reality is that's where we are.  
19 And so, for me when I saw Facebook leading the  
20 effort around the face of the Libra white paper I  
21 thought, you know, look had -- Paypal was part of the  
22 initial Libra, they have stepped out, but had Libra  
23 announced -- sorry, Paypal announced Libra and not  
24 Facebook, Paypal announced it and then Facebook joined,  
25 wouldn't that be a different world right now?

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1 And by the way, maybe Libra is a fabulous  
2 thing and we want it to succeed, but I think Facebook in  
3 almost frankly an arrogant way decided we want to be on  
4 point here, we're going to lead it. And I think they  
5 didn't understand the trust deficit they had in the --  
6 in -- with governments particularly.

7 I see another question out there, sorry.

8 MR. BRUMMER: Yes.

9 MR. GARLINGHOUSE: All right.

10 MR. BRUMMER: One last question.

11 FLETCHER: Hi. Fletcher McCrome (phonetic) at  
12 Cognizant. I lead our partnerships in blockchain space.  
13 And I'm curious your approach around the different  
14 networks that are forming. Obviously, Ripple is forming  
15 a network. There are competitors out there like the IN  
16 and SWIFT's exploring, and there's also complimentary  
17 networks, maybe things like, you know, Trade IX, and We  
18 Trade, Marco Polo, particularly in the trade finance  
19 spaces because that's very international.

20 So how do you view strategically some of the  
21 competitive networks that are trying to form versus some  
22 of the complimentary networks and where Ripple fits in?

23 MR. GARLINGHOUSE: First of all, I'll tell you  
24 upfront, I mean, he mentioned a handful of networks I've  
25 never heard of so I --

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1 (Laughing.)

2 MR. GARLINGHOUSE: You know, but my reaction  
3 anytime people ask me about kind of competitive  
4 networks, I mean, we're trying to create  
5 interoperability between networks. We call that  
6 RippleNet. I don't view that as a closed network,  
7 meaning, you know, it isn't -- I don't view myself as a



8 competitor of Paypal, or Ollie Pay, or Paytm, or fill in  
9 blank. I think about it as like how do we become the  
10 TCPIP of an internet of value?

11 You know, our whole mission, you know, that  
12 you -- if you look at -- internally at Ripple, you know,  
13 our vision for the company is to enable value to move  
14 the way information moves today. And so when I think  
15 about these different networks, what I'm thinking to  
16 myself, and I hear some of those that I hadn't heard of,  
17 what I'm thinking to myself is okay, wouldn't it be  
18 great if all of them were interoperable?

19 Wouldn't it be great if, you know, a gentleman  
20 here in DC whose mom lives in Mumbai, and has a Paytm  
21 digital wallet, but the gentleman here in DC is on  
22 Bammel (phonetic), you know, if you want to send \$50.00  
23 from your Bammel account to your mom on Mother's Day in  
24 India, good luck. Like if you get any money there, it  
25 won't be \$50.00, it will be a whole lot less. But, you  
0044

1 know, if those were just two interoperable nodes  
2 connected through a common framework around  
3 technologies, like why isn't that super simple?

4 The vision we see using XRP as that bridge  
5 asset is extremely fast and extremely inexpensively  
6 you're shuttling that value from a Bammel account to a  
7 Paytm account, no big deal.

8 MR. BRUMMER: Only because it's 45 seconds,  
9 but I see the European Commission has their hand up.  
10 Speak really fast.

11 MALE: Okay. The question is (inaudible).  
12 Could you speak a little bit as to how do you actually  
13 make money yourself in this?

14 MR. GARLINGHOUSE: Yeah.

15 MALE: How does Ripple make profit or not a  
16 profit?

17 MR. GARLINGHOUSE: You know, I said upfront,  
18 at the most basic level we're an enterprise software  
19 company. We sell software to banks. So, you know,  
20 typically when we sign a contract with one of these  
21 players, you know, there's software licensing fees,  
22 there's transaction fees, there's professional services  
23 fees.

24 We also own a lot of XRP. That is an asset we  
25 own in the same way, you know, look Exxon owns a lot of  
0045

1 oil. Exxon's selling some of that oil and making money  
2 from doing that. So, we think about both of those  
3 components.

4 MR. BRUMMER: How much do you own? How much  
5 XRP?

6 MR. GARLINGHOUSE: We own about 55 or 50 -- I  
7 don't know the exact math.  
8 MR. BRUMMER: Mm-hmm.  
9 MR. GARLINGHOUSE: 56 percent plus or minus of  
10 all XRP is owned by Ripple.  
11 MR. BRUMMER: Okay. Okay, we have to end it.  
12 MR. GARLINGHOUSE: All right.  
13 MR. BRUMMER: Oh. Yeah, we --  
14 MALE: Real quick. No, real quick.  
15 MR. GARLINGHOUSE: Oh, they turned off the  
16 mic.  
17 MR. BRUMMER: They did turn off the mic.  
18 (Laughing.)  
19 MR. BRUMMER: Okay. We are efficient. We are  
20 an efficient system.  
21 MR. GARLINGHOUSE: I'll repeat the question.  
22 MALE: Repeat the question. So, do you ever  
23 see Ripple standing out as a stand-alone currency other  
24 than just a mechanism to transfer Fiat currency, \$50.00  
25 to Mumbai, can it stand alone?

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1 MR. GARLINGHOUSE: Can it stand alone? I  
2 don't under -- can XRP stand alone?  
3 MALE: (Crosstalk) talk about transferring  
4 value to Mumbai. It's always tied to a Fiat currency.  
5 MR. BRUMMER: Yes.  
6 MR. GARLINGHOUSE: Oh, right.  
7 MALE: So, it's a transfer mechanism.  
8 MR. GARLINGHOUSE: Yeah, do I see a --  
9 MALE: Are you always going to be tied to Fiat  
10 currency?  
11 MR. BRUMMER: Transforming from bridge to  
12 currency.  
13 MR. GARLINGHOUSE: Well, like for the  
14 foreseeable future, my viewpoint is Fiat currencies in  
15 G20 markets serve the consumer use case very  
16 effectively. Why am I going to go try to disrupt the  
17 Rupee?  
18 MALE: So, you just want to be a transfer  
19 mechanism?  
20 MR. GARLINGHOUSE: What Ripple is focused on  
21 right now is to be infrastructure for banks or financial  
22 institutions to shuttle value. We're not trying to  
23 replace any Fiat currency. Now as I said earlier, there  
24 may be somebody in this room who is using the open  
25 source technology of the XRP Ledger is trying to build a

0047

1 consumer remittance application --  
2 MR. BRUMMER: Right.  
3 MR. GARLINGHOUSE: -- through XRP. There's

4 nothing that I can do about that. There's -- I mean --  
5 MALE: So, you are not a threat to government  
6 structure?

7 MR. GARLINGHOUSE: I am definitely not --  
8 yeah. When I go in to explain to central governments  
9 what we work -- how we work, they're like okay, good.

10 MR. BRUMMER: Okay.

11 MR. GARLINGHOUSE: We're going to get --

12 MR. BRUMMER: See --

13 MR. GARLINGHOUSE: I'm going to get the hook.

14 MR. BRUMMER: -- this is literally the closest  
15 we're gotten to the hook.

16 MR. GARLINGHOUSE: All right. We're out.

17 MR. BRUMMER: But let me just say, Brad, thank  
18 you so much for coming, man.

19 MR. GARLINGHOUSE: Absolutely. Thank you.

20 MR. BRUMMER: I appreciate the extra time.  
21 Thank you.

22 (Applause.)

23 (End of video.)

24 \* \* \* \* \*

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3 I, Rhonda Markland, hereby certify that the foregoing  
4 transcript consisting of 47 pages is a complete, true  
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6 the recorded proceedings, Brad Garlinghouse, CEO of  
7 Ripple, at Washington DC's Fintech Week Interviewed with  
8 Chris Brummer - Youtube (1), in the matter of RIPPLE,  
9 File Number NY-09875.

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Interview with Brad Garlinghouse, 11/6/2019, via Bloomberg

<https://www.bloomberg.com/news/videos/2019-11-06/ripple-ceo-expects-volatility-in-cryptocurrencies-to-continue-video>



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1 UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
2  
3 In the Matter of: )  
4 ) File No. NY-09875-A  
5 RIPPLE )  
6  
7 SUBJECT: Ripple CEO Expects Volatility in  
8 Cryptocurrencies to Continue - Bloomberg  
9 PAGES: 1 through 9

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Ripple CEO Expects Volatility in Cryptocurrencies to  
Continue - Bloomberg

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FEMALE INTERVIEWER: XRP, which facilitates  
instant payment between parties like banks. I mean,  
what kind of traction are you seeing?

5

6

7

MR. GARLINGHOUSE: Look, I'm incredibly  
pleased to see how much traction people are seeing  
with -- let's solve a real problem with digital assets.

8

9

10

You know, historically I think there's been a lot of  
hype in the crypto ecosystem, a lot of experiments. And  
we're able to look at what we're doing with XRP and  
really accelerate the adoption and take -- help banks  
take advantage of what is possible through these digital  
assets.

11

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16

FEMALE INTERVIEWER: Of course, there is an  
entrenched player already in SWIFT. I mean, how much  
are denting the business of SWIFT?

17

18

19

MR. GARLINGHOUSE: Well, so we look at SWIFT  
as a company that has certainly defined how cross-border  
payments have been enabled, that it's also existed for a  
couple decades, really almost four decades for how that  
system works.

20

21

22

23

24 We feel like there's an opportunity to bring  
25 the system into the modern world, or into the internet  
0003

1 world where today a SWIFT transaction can take days, you  
2 don't know for sure if it's been -- that it's arrived.  
3 It's almost like a postcard. The only way you know is  
4 your friend says hey, I received that.

5 And I think in a world of the internet where  
6 people expect I can order an Uber and it shows up right  
7 away, you know, a Gocheck, what have you. These are the  
8 expectations people have with regard to how financial  
9 systems should work in the modern era.

10 MALE INTERVIEWER: Brad, tell me here then,  
11 you know, where does this go? I mean, let's have a look  
12 at just effectively what we have. We've got 70  
13 cryptocurrencies out there. You know, you're one of the  
14 frontrunners, but the thing is are there too many of you  
15 guys?

16 MR. GARLINGHOUSE: You know, actually I agree  
17 with you, I think there are too many. There's around  
18 3,000 different digital assets that trade on a daily  
19 basis now. I think, you know, any time there's a new  
20 market, there's a lot of people that run into that  
21 market and try to show that they can solve a problem,  
22 they can deliver a customer need.

23 I have said publicly before that I think 99  
24 percent of all crypto probably goes to zero, but there  
25 is that one percent where I think that it is focused on  
0004

1 solving a real problem for real customers, and it's able  
2 to do that at scale, and that's going to be game  
3 changing, and I think that's going to continue to grow  
4 significantly in the decades ahead.

5 MALE INTERVIEWER: I mean, the -- probably one  
6 of the reasons why there is so much instability in terms  
7 of the price here, but you know, you want to be a -- you  
8 are a currency wanted to be a unit of transfer here.  
9 But the problem is if you transferred some money to  
10 somebody else, that may be worth much less by the time  
11 they want to actually cash it in, if they do cash it in.  
12 So, you know, how do actually produce some stability in  
13 all this?

14 MR. GARLINGHOUSE: You know, it turns out this  
15 is a false narrative. It turns out when you enable a  
16 SWIFT transaction -- volatility is a calculation of both  
17 time and volatility. So, a SWIFT transaction can take  
18 two to three days, where an XRP transaction takes a few  
19 seconds. And it turns out the volatility of enabling a  
20 Swift transaction is much higher than enabling an XRP  
21 transaction because of the time.

22 We actually just did a post on the Ripple  
23 website explaining the math behind this. But it turns  
24 out that the volatility risk is lower with an XRP  
25 transaction.

0005

1 FEMALE INTERVIEWER: Investors are pretty  
2 concerned about the sell-off we're seeing in Ripple, and  
3 they say that it is bigger than expected. Is there  
4 reason to be worried about it?

5 MR. GARLINGHOUSE: Well, I think probably the  
6 sell-off in XRP versus a sell-off -- you know, Ripple is  
7 a private company. We have our shareholders. It's --  
8 you can't trade Ripple shares, so to speak.

9 XRP, you know, look we pay attention over the  
10 long haul. I tell the employees I don't think about it  
11 on a three days, or three weeks, or three months, you  
12 know. Taking advantage of what digital assets can do to  
13 make transactions more efficient I think is a journey  
14 we'll be on for a decade or two. I describe it as a  
15 marathon, and we're on kind of mile two.

16 So, I don't think about the price of XRP in  
17 the short-term. I think if we can enable XRP to be the  
18 most efficient measured by speed of a transaction, the  
19 cost of a transaction, more and more people will use it.

20 FEMALE INTERVIEWER: So, nothing to be worried  
21 about, nothing to be worried about when you take a look  
22 at this sell-off?

23 MR. GARLINGHOUSE: I think there's going to  
24 continue to be volatility in crypto broadly, right. The  
25 whole market kind of moves together a little bit, and

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1 there's times when XRP has out-performed Bitcoin,  
2 there's times it's under-performed Bitcoin. But I think  
3 as you look at this as a long-term journey, I'm quite  
4 optimistic about where we see the whole market. There's  
5 a lot of bullish trends for the whole crypto ecosystem.

6 MALE INTERVIEWER: Brad, then of course, you  
7 know, people -- other people, and so the big players  
8 want to get a slice of the action, and I'm talking about  
9 Libra. Now tell me about your concerns about Libra and  
10 some of the things which Libra does represent which are  
11 good.

12 MR. GARLINGHOUSE: Well, I think what's good  
13 is I -- a number of people obviously in the crypto  
14 space, and certainly what Ripple has embraced is this  
15 idea of how do we reduce friction, how do we reduce  
16 costs, how do we bring people who are unbanked or  
17 underbanked into the financial system? And so, that's a  
18 vision we certainly embrace, and Facebook's effort to  
19 kind of go direct to consumer I think is one approach.



20           The challenge is, I think that all financial  
21 systems, all financial tools, they're built on trust.  
22 And with Facebook as the lead horse around Libra, I  
23 think it's fair to say Libra -- excuse me, Facebook has  
24 really had a trust deficit based upon a lot of things  
25 that have happened to the company and the things they

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1     have done.

2           So, I think it's going to be hard for Libra to  
3 kind of -- using that foundation of trust from Facebook  
4 to get a lot of momentum. As you know well, there's a  
5 lot of regulatory scrutiny and questions that are still  
6 not yet answered. I think the good news is key people  
7 like Mark Zuckerberg have said they won't go live until  
8 those things are clarified.

9           FEMALE INTERVIEWER: Jamie Damon says nice  
10 idea, but it won't happen. Is it too soon to write it  
11 off?

12           MR. GARLINGHOUSE: I think it's too soon to  
13 write it off, but I also think you obviously have seen a  
14 lot of the momentum shift. It came out in June with a  
15 lot of excitement and enthusiasm. Since that time,  
16 you've seen the likes of MasterCard, and Paypal, and  
17 others step away. Although I think a lot of that's  
18 because of the regulatory uncertainty.

19           I think Facebook took a pretty aggressive,  
20 arguably maybe naive a little bit that they could just  
21 run into this and do this despite a lot of concerns. I  
22 think certainly the way Ripple approaches the world is  
23 we're going to work with regulators, we're going to  
24 partner with them from the earliest stages. We've done  
25 that here in Singapore, we've done that around the

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1     world, and I think that has served us well in terms of  
2 building momentum across all of our customers.

3           MALE INTERVIEWER: Brad, my final question is,  
4 you know, we've got so many of these crypto currencies  
5 starting -- you know, I've already asked you about that.  
6 A lot of them are going to fall by the wayside. No  
7 doubt you're going to still be there in a year's time.  
8 But how will this ecosystem look in a year from now?

9           MR. GARLINGHOUSE: That's a great question. I  
10 think the system is going to continue to evolve where  
11 years ago really crypto was saw a little of elicit, you  
12 know, kind of Silk Road and elicit use cases, then it  
13 moved to really a speculative bubble that we saw. And I  
14 think you're going to continue to see in 2019, and 2020,  
15 and beyond the focus on utility.

16           How are these technologies, how are these  
17 digital assets solving real problems for real customers?

18 And absent that real utility, I don't think you're  
19 going to see the whole market grow and live up to its  
20 potential. It's the reason why Ripple has been so  
21 focused on a specific customer, a specific problem, and  
22 we've been fortunate to build a lot of momentum with  
23 that customer set.

24 (End of video.)

25 \* \* \* \* \*

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2  
3 I, Rhonda Markland, hereby certify that the foregoing  
4 transcript consisting of 9 pages is a complete, true and  
5 accurate transcription of all matters contained on the  
6 recorded proceedings, Ripple CEO Expects Volatility in  
7 Cryptocurrencies to Continue - Bloomberg, in the matter  
8 of RIPPLE, File Number NY-09875.

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Interview with Brad Garlinghouse, 2/17/2020, via CNN

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1 P R O C E E D I N G S  
2 Full Brad Garlinghouse CNN Interview 17-02-2020 HD -  
3 YouTube  
4 MALE SPEAKER: Hello and welcome to XRP Talk  
5 and Speculation. Here is the full video of Brad  
6 Garlinghouse's interview today with Julia Chatterley on  
7 CNN. He talks all things about XRP and what's going on  
8 currently and projections for the future. Put your  
9 comments in the box down below. Let us know what you  
10 think. Don't forget to subscribe to the channel. Give  
11 us a thumbs-up, press the like button, smash those  
12 likes, everyone. And don't forget, you can follow me on  
13 Twitter @xrpspeculation for more videos coming soon.  
14 MS. CHATTERLEY: Great to have you with us  
15 officially in person.  
16 MR. GARLINGHOUSE: Thank you.  
17 MS. CHATTERLEY: You've had a busy few months  
18 since we last spoke, raising money, 300 plus customers,  
19 Money Gram relationship, the On-Demand Liquidity  
20 relationship. Talk us through it, it's exciting times.  
21 MR. GARLINGHOUSE: It's been a really exciting  
22 time, and I think it's demonstrative of the momentum in  
23 the overall industry, but certainly for Ripple, 2019 was

24 an incredible year for us. We started 2020 with a lot  
25 of momentum. I think it really goes back to moving from  
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1 that speculation that has driven the crypto market to a  
2 utility, like solving problems for our customers. And  
3 Ripple's been focused on that for a long time. And as  
4 that momentum builds, you're seeing more and more  
5 customers come on, more and more liquidity, and that's  
6 good for everybody in the ecosystem.

7 MS. CHATTERLEY: Why is 2020 that year, to  
8 your point, that pivotal moment where we look at the  
9 utility value here, perhaps, you know, and differentiate  
10 from the speculative?

11 MR. GARLINGHOUSE: I think one of the reasons  
12 that 2020 will be very important is that regulatorily,  
13 if that's a word, the clarity is getting better, you  
14 know? And I mean that globally, countries like  
15 Singapore and Thailand and Switzerland and Japan. I  
16 think the U.S. has still an opportunity to do more  
17 there, but I think we will probably see that in 2020,  
18 and I think that helps catapult the whole industry. I  
19 also think, you know, you've gone from an industry that  
20 has been a little bit in the shadows and, you know, the  
21 history of crypto --

22 MS. CHATTERLEY: Very much in the shadows.

23 MR. GARLINGHOUSE: Yeah. I remember actually,  
24 I -- you and I were both at Davos --

25 MS. CHATTERLEY: Yeah.

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1 MR. GARLINGHOUSE: -- and that someone --  
2 early on in my arrival there, someone was like, you  
3 know, crypto's still a bad word here. And I was like,  
4 ah, and it -- you know --

5 MS. CHATTERLEY: It's a misunderstood word.

6 MR. GARLINGHOUSE: It is. And I think a lot  
7 of what I'm doing and what -- a lot of what I did in  
8 Davos was meeting with regulators and meeting with very  
9 senior people at banks and explaining to them how crypto  
10 could be used, how specifically XRP could be used to  
11 solve a real problem, not to circumvent regulation, not  
12 to circumvent, you know, any government. And I think  
13 once people understand that, they very quickly become  
14 disarmed. It's no longer a bad word.

15 MS. CHATTERLEY: Do they understand when  
16 you're talking and you've sort of shifted the focus to  
17 on-demand liquidity and these cross-border transactions  
18 and facilitating faster, more efficient payments, can  
19 they get a grip with that, perhaps more than the rest of  
20 it? Because I think, to me, that's something that  
21 particularly from my view is they get and understand.

22 MR. GARLINGHOUSE: Yeah, and that is  
23 absolutely the case. And even in Davos, to be able to  
24 start to talk about that and put numbers on it, you  
25 know, today, last week, we did \$54 million of XRP flows

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1 into Mexico. That's 7.5 percent of all flow from the  
2 U.S. dollar to Mexican peso.

3 MS. CHATTERLEY: You were 7 percent of the  
4 market?

5 MR. GARLINGHOUSE: Last week, and that's up  
6 from maybe 3 percent in December. So this is growing  
7 very quickly, and, you know, look, these are huge  
8 industries that can be made massively more efficient by  
9 using these new technologies. But I think it goes back  
10 to what we said earlier, like you have to focus on a  
11 real problem, a real customer, you know, drive that  
12 utility. Well, you know, 7.5 percent of liquidity into  
13 Mexico being driven through XRP, you start to really  
14 see, okay, this is not a science experiment. There's  
15 still a lot of people, I think, in the blockchain  
16 industry, who aren't familiar with the fact of how much  
17 momentum we have here. You had Alex Holmes, the CEO of  
18 Money Gram, on.

19 MS. CHATTERLEY: Right.

20 MR. GARLINGHOUSE: You know, I think that's an  
21 example where, you know, it's one of our customers using  
22 XRP, and it's working.

23 MS. CHATTERLEY: I mean he said look -- I was  
24 pushing him to see what proportion of the market you  
25 could become of the daily volume, and he was like look,

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1 you know, you need a buyer; you need a seller here. So  
2 we're only limited in the sense by the number of people  
3 that are simply using the platform that's available  
4 here. How quickly do you think -- given that you're  
5 saying you've gone from 3 percent to 7 percent in just a  
6 couple of months, how quickly can you scale up? Because  
7 it's the tipping point of bringing up more people onto  
8 the platform as well as anything else.

9 MR. GARLINGHOUSE: Well, the great thing is,  
10 and this is true in the markets and, you know, here at  
11 the NYSE, you know, liquidity begets liquidity.

12 MS. CHATTERLEY: Yes.

13 MR. GARLINGHOUSE: The more activity you see  
14 and the more people see, and frankly, it was great, even  
15 the CEO of Bitso, the largest digital asset exchange in  
16 Mexico, has been out publicly talking about some of the  
17 dynamics he's seen, and instead of being dependent upon  
18 the speculative trading of crypto as his business, he  
19 now can say, look, I have institutional flows represent

20 last week just one customer through Ripple is \$54  
21 million. That's fabulous for him, you know? A run rate  
22 that's \$2.5 billion flowing through what we call  
23 on-demand liquidity or ODL. That's a big deal for his  
24 business and, you know, that brings other players that  
25 want to say well, wait a minute, that's good. Let's --

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1 I want to -- I want to be a part of that.

2 MS. CHATTERLEY: How do you prioritize  
3 building that liquidity and your presence there versus  
4 saying, okay, now we're going to look for another  
5 corridor, another currency payer here, another country?  
6 How do you -- how do you prioritize that? And what  
7 brings more customers, potentially, onboard quicker?

8 MR. GARLINGHOUSE: Well, so I'll dodge the  
9 question a little bit by saying --

10 MS. CHATTERLEY: Don't dodge.

11 MR. GARLINGHOUSE: -- it's the and versus the  
12 or --

13 MS. CHATTERLEY: (Laughter)

14 MR. GARLINGHOUSE: -- meaning that we  
15 definitely are prioritizing new corridors. We've talked  
16 publicly about the fact that we're in Mexican peso --

17 MS. CHATTERLEY: Yeah.

18 MR. GARLINGHOUSE: -- Philippine peso and  
19 Australian dollar. We've started to talk about some of  
20 what we're seeing in Brazil, and we'll increasingly talk  
21 about other new corridors. I mean the good news is we  
22 have a lot of demand, and so we'll certainly expand into  
23 other corridors. But that isn't to say -- we do care  
24 about liquidity using the Mexican peso as an example,  
25 and we are seeing liquidity naturally grow there because

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1 liquidity begets liquidity, and, you know,  
2 market-makers, whether they're, you know, existing  
3 traditional market makers or crypto market makers, they  
4 see the liquidity and they realize hey, there's an  
5 opportunity, and so it's growing -- it's growing very  
6 well.

7 MS. CHATTERLEY: Where after Brazil? No  
8 dodging. (Laughter)

9 MR. GARLINGHOUSE: You know? Yeah. Well,  
10 there's certainly -- when we look at a framework or like  
11 which countries, we want regulatory clarity --

12 MS. CHATTERLEY: And that's key.

13 MR. GARLINGHOUSE: -- and that's an important  
14 one.

15 MS. CHATTERLEY: Yeah.

16 MR. GARLINGHOUSE: So there are markets -- I  
17 mean any remittance market that has a lot of U.S.



18 dollar, Euro remittances into other countries, that's a  
19 high priority, but if you don't have regulatory clarity,  
20 that's a challenge to any of those markets. You know,  
21 typically, you'd say India would be high on our list.  
22 India hasn't yet provided a lot of clarity from a  
23 regulatory point-of-view and so we have not prioritized.

24 MS. CHATTERLEY: And that's key --

25 MR. GARLINGHOUSE: Yeah.

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1 MS. CHATTERLEY: -- you just -- you step back  
2 until you have that regulatory clarity because you  
3 don't --

4 MR. GARLINGHOUSE: Yeah.

5 MS. CHATTERLEY: -- waste the time on those.

6 MR. GARLINGHOUSE: I wouldn't say we step  
7 back, we engage -- you know, it means a lot of frequent  
8 flier miles for me going to meet --

9 MS. CHATTERLEY: Okay, so you are engaging  
10 with India?

11 MR. GARLINGHOUSE: Yes, for sure. And back to  
12 what we said about Davos, like it's sitting down with  
13 key regulators --

14 MS. CHATTERLEY: Yeah.

15 MR. GARLINGHOUSE: -- and explaining to them  
16 this is not circumventing a KYC, know your customer  
17 check. It's not circumventing anti-money laundering  
18 checks. It's not -- once regulators understand you're  
19 not circumventing regulatory frameworks, they get very  
20 comfortable very quickly, and they actually -- they lean  
21 in because they understand this is actually helping  
22 inclusion in the financial system. The people who are  
23 most burdened by remittance costs --

24 MS. CHATTERLEY: Yes.

25 MR. GARLINGHOUSE: -- are those that can least

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1 afford it. And that's -- you know, I think we all  
2 should care.

3 MS. CHATTERLEY: who is the most open to this?  
4 Because I was in Southeast Asia, and the growth in  
5 digitization and in payments, particularly for the  
6 proportion of the unbanked population is so huge.

7 MR. GARLINGHOUSE: Yeah.

8 MS. CHATTERLEY: And I do feel like the  
9 regulators there are all stepping up. China is another  
10 example with -- I mean now we're even talking about, you  
11 know, a yen digital coin here.

12 MR. GARLINGHOUSE: Right.

13 MS. CHATTERLEY: Who is leading?

14 MR. GARLINGHOUSE: Well, it depends a little  
15 bit how we're talking about leading. I mean China, to

16 your point, it's been fascinating to see it. I mean  
17 they really, through mining power, control the Bitcoin  
18 blockchain. You have four miners in China that  
19 represent something like 60 plus percent of the mining  
20 capacity and 80 percent of the mining capacity, about,  
21 is based in China for both Bitcoin and Ether. So in  
22 many ways, I think China's incredibly strategic about  
23 how they think about that.

24 MS. CHATTERLEY: Yes.

25 MR. GARLINGHOUSE: And I look at the U.S. and

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1 I say hey, US, here we are in downtown New York, we  
2 could and should, I think, do more for that clarity to  
3 allow for more investment. But you see, I think, a lot  
4 of countries around the world seeing that this is a  
5 technical wave. This is a major step, and they want to  
6 invest in it; they want to see companies continue to  
7 invest, and I think that's good for the economy.

8 MS. CHATTERLEY: Do you think we see, at some  
9 point in the near future, a Chinese digital coin, a fed  
10 coin? Because the conversations are being had.

11 MR. GARLINGHOUSE: Yeah.

12 MS. CHATTERLEY: Everyone's looking at this  
13 and trying to understand what it would mean for them to  
14 not be in the game here? And I know we can have the  
15 conversation about decentralized versus centralized.

16 MR. GARLINGHOUSE: Right.

17 MS. CHATTERLEY: And what it would mean even  
18 to have a central bank digital coin, however --

19 MR. GARLINGHOUSE: Yeah, the word central  
20 bank.

21 MS. CHATTERLEY: -- I know, I know, we're  
22 struggling here.

23 MR. GARLINGHOUSE: Central is, you know,  
24 but --

25 MS. CHATTERLEY: However --

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1 MR. GARLINGHOUSE: -- well, and look, I --  
2 when I step back and I think about it macro, I think  
3 it's really healthy and constructive for the entire  
4 crypto blockchain community to see central banks and  
5 central governments lean into what can these new  
6 technologies do to make our economy more efficient, our  
7 payment infrastructure more efficient, any transaction  
8 more efficient. So at large, I think it's really  
9 positive. Mnuchin was asked about this in Davos --

10 MS. CHATTERLEY: Yes.

11 MR. GARLINGHOUSE: -- and, you know, he made a  
12 point which I think has some validity, which is the fed  
13 window in the United States, if a bank goes to the fed

14 window, they're not getting a pallet, a crate of  
15 dollars, paper dollars. They're getting a digitized --

16 MS. CHATTERLEY: Of course they are.

17 MR. GARLINGHOUSE: -- centralized ledger  
18 entry, and so it's kind of like well, what's the  
19 difference between if the central bank issues a  
20 centralized token versus what they do today, like how  
21 different is that? Now, there's some governments around  
22 the world that might you could argue say well, a central  
23 bank could go direct to consumers, and you could have an  
24 account with a central bank. I don't think in most of  
25 the Europe, U.S., you're going to circumvent the

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1 commercial banks --

2 MS. CHATTERLEY: No.

3 MR. GARLINGHOUSE: -- like that doesn't make a  
4 lot of sense.

5 MS. CHATTERLEY: But what about you, for  
6 Ripple, building a platform that could perhaps  
7 substitute XRP for a fed coin one day or some other --

8 MR. GARLINGHOUSE: Well, when we think about  
9 the XRP Ledger as an open source technology, we think  
10 about how do we make it really useful for the customers  
11 we work with. We also think about how do we make it  
12 extensible, and how do we participate in that open  
13 source community in a way that makes it extensible to  
14 other types of customers. Could central banks? Sure,  
15 they could use aspects of that --

16 MS. CHATTERLEY: Could it be more efficient,  
17 what they create one day?

18 MR. GARLINGHOUSE: Yeah, and I -- that  
19 ultimately is the underpinning I think we all focus on,  
20 how can we make this more efficient for our customers?  
21 And right now, the customers we focus on are commercial  
22 banks, payment providers. We certainly are thinking  
23 about other types of customers we could serve. I mean I  
24 have made the point, I don't know if I've ever said it  
25 on air, but I've made the point that in the earliest

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1 days of Amazon, it was called Amazon Books.

2 It was a bookseller, and it competed with  
3 Barnes and Noble. It competed with Borders and, you  
4 know, when I think about Ripple today is viewed as a  
5 cross-border payments company. We view ourselves as a  
6 blockchain infrastructure company, the first vertical  
7 we've done is cross-border payments. We want to make  
8 sure we're winning in cross-border payments before we do  
9 another vertical, but we will certainly do other  
10 verticals leveraging these technologies.

11 MS. CHATTERLEY: So you're open, potentially,

12 in the future, at some point, to using the fed coin or  
13 the (inaudible) coin? I'm pushing because the head of  
14 blockchain technology at JP Morgan told me if the fed  
15 came up with a coin, they'd dump JP Morgan coin. So I'm  
16 asking you whether you're open to the possibility of --

17 MR. GARLINGHOUSE: Sure.

18 MS. CHATTERLEY: Yeah.

19 MR. GARLINGHOUSE: I mean I think I'm very  
20 open. You know, even if the fed in the United States is  
21 using a coin, you still have a cross-border settlement  
22 dynamic where --

23 MS. CHATTERLEY: Yes.

24 MR. GARLINGHOUSE: -- if you have central  
25 banks around the world using their own digital asset, I

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1 don't think it changes the need for a cross-border  
2 neutral settlement.

3 MS. CHATTERLEY: Something in the middle, like  
4 an XRP.

5 MR. GARLINGHOUSE: And XRP has been extremely  
6 efficient.

7 MS. CHATTERLEY: Okay.

8 MR. GARLINGHOUSE: I mean look, we obviously  
9 have a vested interest in that, and we don't -- we're  
10 not bashful about that, but XRP is extremely efficient  
11 from a technical point-of-view in terms of speed, in  
12 terms of scalability, in terms of cost, where I'm a  
13 Bitcoin holder, but it's not going to solve a payments  
14 problem when the transaction time and transaction cost  
15 is, you know, almost 1,000X what it is for XRP.

16 MS. CHATTERLEY: What's going on with the  
17 price of XRP? And why did Mike Novagratz weigh in on  
18 this and suggest it was going to be another bad year in  
19 2020?

20 MR. GARLINGHOUSE: You know, I think the short  
21 answer is I think Mike doesn't fully follow Ripple very  
22 closely. There's a lot of things he wasn't --

23 MS. CHATTERLEY: He's a big investor.

24 MR. GARLINGHOUSE: -- he wasn't aware of some  
25 of the stuff we're doing with Money Gram. I think, you

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1 know, he -- if he watches this, he'll be surprised to  
2 hear that we had \$54 million of ODL flows last week.  
3 Look, there's a lot of experimentation. There's a lot  
4 of misinformation in this market, and I think it's  
5 important to make sure that the industry is educated.  
6 And it's the reason why I try to get out and make sure  
7 that we're sharing what really is going on with real  
8 customers, solving real problems.

9 MS. CHATTERLEY: You said you're an investor

10 in Bitcoin; you own Bitcoin.

11 MR. GARLINGHOUSE: I am, I do own Bitcoin,  
12 yes.

13 MS. CHATTERLEY: Yeah. So XRP, is that a good  
14 investment?

15 MR. GARLINGHOUSE: You know, I am going to  
16 dodge that question, also.

17 MS. CHATTERLEY: I've seen you dodge that many  
18 times.

19 MR. GARLINGHOUSE: You know, look, I think  
20 about --

21 MS. CHATTERLEY: What's the investment case?  
22 I guess that's a better question?

23 MR. GARLINGHOUSE: Well, I'm going to macro  
24 all digital --

25 MS. CHATTERLEY: Yes.

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1 MR. GARLINGHOUSE: -- assets. I have said very  
2 publicly, I think the value of any digital asset in the  
3 long term will be derived from the utility it delivers.  
4 Bitcoin utility, increasingly, I think is just viewed as  
5 it's digital gold. The gold market is a multi-trillion  
6 dollar market, and Bitcoin today is I think around 150  
7 billion dollars, 160 billion dollars.

8 MS. CHATTERLEY: Yes.

9 MR. GARLINGHOUSE: Do I think there's an  
10 opportunity for Bitcoin to appreciate as more people see  
11 it as a useful store of value? Yeah, I think so. Do I  
12 think there's going to be other digital assets that  
13 increasingly have utility for customers and, therefore,  
14 drive velocity, usage, people holding it and it drives  
15 demand? Yes, I think that's likely.

16 MS. CHATTERLEY: Will the utility value of XRP  
17 always outweigh the store of value reason for holding  
18 it, in your mind?

19 MR. GARLINGHOUSE: Well, no, I mean I think  
20 store of value is a dynamic -- in part, people want to  
21 hold assets that are highly liquid.

22 MS. CHATTERLEY: You called it digital gold,  
23 though, Bitcoin digital gold.

24 MR. GARLINGHOUSE: I think, yeah,  
25 increasingly --

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1 . MS. CHATTERLEY: Does XRP have that potential?

2 MR. GARLINGHOUSE: I think as XRP has utility  
3 through what Ripple is doing and with other people using  
4 XRP, and there's a bunch of other companies doing very  
5 cool stuff, I mean a very innovative company called Coil  
6 doing interesting micropayments, particularly focused on  
7 media, very fascinating.

8 MS. CHATTERLEY: Yes.

9 MR. GARLINGHOUSE: And so when I look at XRP,  
10 I look at the whole. I look at what Ripple's doing. I  
11 look at what Coil's doing. I look at what Forte is  
12 doing as a gaming company using XRP. I look at the  
13 holistic -- if there's a lot of utility and people see  
14 value in that utility, then I don't worry about it. I  
15 often have said look, I don't think about the price of  
16 XRP on three days, three weeks or three months. Over  
17 the coming years, I think that we, Ripple, are focused  
18 on driving utility from this asset, and if we're  
19 successful with that, we think that's good for the  
20 liquidity of the whole ecosystem.

21 MS. CHATTERLEY: You're a giant. You're seen  
22 as a giant in this industry, to the point where, you  
23 know, your boots at Davos get cult status, quite  
24 frankly. It's a strong point --

25 MR. GARLINGHOUSE: It was cold in Davos. I  
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1 was wearing boots.

2 MS. CHATTERLEY: I agree. I wear furry ones.  
3 Is the -- is the point to make it, perhaps, that there  
4 shouldn't be this battle between digital currencies and  
5 digital assets here, this belief that one currency needs  
6 to rule them all actually --

7 MR. GARLINGHOUSE: Yeah.

8 MS. CHATTERLEY: -- just greater awareness of  
9 everything that's going on floats all boats here, and I  
10 mixed analogies there --

11 MR. GARLINGHOUSE: Yeah.

12 MS. CHATTERLEY: -- but I know what I'm  
13 saying.

14 MR. GARLINGHOUSE: Look, I so passionately  
15 agree with this point. There is not going to be one  
16 winner in the crypto space, like I believe that to my  
17 core. There's going to be a lot of different  
18 participants solving different segments and problems.  
19 And I look at what's going on in Bitcoin world, and I  
20 don't view it as competitive with what Ripple's doing.  
21 I look at what's going on in most parts of the Ethereum  
22 community, I don't look at it as competitive with what  
23 Ripple's doing or what I see happening in the XRP  
24 community.

25 I want to see all boats rise. I think if  
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1 that -- all boats rise, if the market capital of all  
2 digital assets grows, that's good for everybody. And I  
3 think ultimately, we all need to focus less on what --  
4 you know, throwing stones and more on let's solve  
5 customer problems; let's see scale through solving

6 problems, and then I think it will take care of itself.

7 MS. CHATTERLEY: Talk to me about the raising  
8 of money and the \$10 billion valuation. How do you feel  
9 about that?

10 MR. GARLINGHOUSE: You know, I think any time  
11 you have new investors come in, you know, you are  
12 intimidated by the expectations that are set, by the  
13 same token, you know, Ripple today -- at today's XRP  
14 price owns something like 10 plus billion -- I think  
15 somewhere north of 15 billion dollars' worth of crypto.  
16 So in some ways, those investors came in at a discount.

17 MS. CHATTERLEY: It's undervalued (laughter),  
18 right?

19 MR. GARLINGHOUSE: Look, we are in a very  
20 fortunate position of a very strong balance sheet.  
21 We're in a very fortunate position to have a lot of  
22 customer momentum, and I think it's because we've  
23 focused on solving a real problem for real customers.

24 MS. CHATTERLEY: So why IPO? Why go public,  
25 to your point, if you have this money, you're raising

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1 money? What's the purpose of going public, of them to  
2 ring the bell? (Laughter)

3 MR. GARLINGHOUSE: Well, I don't think we've  
4 said we're going to go public. I think what we've  
5 said -- what I said was I think 2020 will likely have  
6 crypto kind of blockchain IPOs, and I think what I said  
7 was, you know, I don't think Ripple will be the first,  
8 but we certainly don't want to be the last. So I kind  
9 of kept it open-ended. I think people heard something a  
10 little bit different than that. But look, the balance  
11 sheet flexibility we have had has given us the ability  
12 to invest over \$500 million across the blockchain  
13 ecosystem.

14 MS. CHATTERLEY: Yeah.

15 MR. GARLINGHOUSE: That includes, you know,  
16 within the XRP world, but also beyond that because,  
17 again, back to, I think all boats can rise. So I think  
18 having balance sheet flexibility gives us strength to do  
19 new things. The Money Gram deal is a deal I know you'  
20 were very familiar with --

21 MS. CHATTERLEY: Yes.

22 MR. GARLINGHOUSE: -- where we invested about  
23 \$50 million into Money Gram, and so we want to continue  
24 to have the flexibility to grow the business. You know,  
25 we've added, you know, well -- 100 -- more than 150

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1 employees last year in a time when I think others who t  
2 have been less focused on solving real problems -- you  
3 know, there's been a bunch of layoffs in the crypto



4 community over the past, you know, even few weeks. And,  
5 you know, we're going to continue to grow. And we want  
6 to make sure we have that balance sheet flexibility to  
7 do that.

8 MS. CHATTERLEY: So it would be about more  
9 money and about potential acquisitions and doing things.

10 MR. GARLINGHOUSE: Yeah. I think about it as  
11 flexibility more than just more money --

12 MS. CHATTERLEY: Yeah.

13 MR. GARLINGHOUSE: -- and maybe I'm parsing  
14 words a little bit, but, you know, today, we have a \$10  
15 billion evaluation as a private company with a private  
16 security. We have shareholders in Ripple. You know, if  
17 you're a public company, you have a little more  
18 flexibility in the type of deals you might look at.

19 MS. CHATTERLEY: You mentioned something,  
20 though, which I think is important. I just want to go  
21 through it, the court case over whether or not XRP is a  
22 security or not, any clarity coming in the near distant  
23 future? It was one of the questions that I know the  
24 community would like to know.

25 MR. GARLINGHOUSE: Yeah. You know, this is an

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1 area where I think we'll continue to --

2 MS. CHATTERLEY: Battle on.

3 MR. GARLINGHOUSE: -- engage. I think, from  
4 my point of view, the good news is we've had very  
5 constructive conversations with regulators here in the  
6 United States. We'll continue to do that, and I think  
7 it's clear to me that there's an opportunity to provide  
8 more clarity, and we're working to achieve that.

9 MS. CHATTERLEY: You know, I was looking at  
10 the market cap of Money Gram, and I know you've got  
11 stronger views on this, just to your point about money,  
12 about acquisitions, about expansion, would it ever be  
13 worth, perhaps, acquiring a Money Gram or do you risk,  
14 perhaps, upsetting other partners and competitors of  
15 theirs actually that --

16 MR. GARLINGHOUSE: Yeah.

17 MS. CHATTERLEY: -- trade with you or do  
18 business with you?

19 MR. GARLINGHOUSE: We definitely don't -- we  
20 don't want to be in the business of competing with our  
21 customers.

22 MS. CHATTERLEY: No.

23 MR. GARLINGHOUSE: We want to partner with our  
24 customers. And, you know, I think we obviously are a  
25 shareholder in Money Gram, but we're also a shareholder

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1 in a number of other companies in the space, and, you



2 know, it's because we want them to be healthy and  
3 strong. I mean Bitso, which is really the leading --

4 MS. CHATTERLEY: Yeah.

5 MR. GARLINGHOUSE: -- South American, Latin  
6 American exchange, we're an investor there. And we want  
7 to see them grow and thrive because they are really good  
8 at what they do and as they grow, we can help them grow.  
9 That's good for us. It's good for them.

10 MS. CHATTERLEY: Fast-forward five years,  
11 where are you?

12 MR. GARLINGHOUSE: Well, I think overall, the  
13 crypto community will continue to grow at really  
14 impressive rates. And five years from now, you know, I  
15 don't know exactly how to think about that, but I think  
16 within crypto world, I think Ripple will continue to  
17 grow and take market share, but that will probably be --  
18 you know, we're focused on cross-border payments today,  
19 I think we'll look at other use cases as I kind of  
20 alluded earlier. And, you know, I hope that in five  
21 years, we've got a -- we're not just Amazon books, but  
22 we are Amazon.

23 MS. CHATTERLEY: And fast-forward one year.

24 MR. GARLINGHOUSE: Oh.

25 MS. CHATTERLEY: Kind of tougher (laughter).

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1 MR. GARLINGHOUSE: Probably another cold rainy  
2 day in New York somewhere.

3 MS. CHATTERLEY: Are you public?

4 MR. GARLINGHOUSE: You know, I don't want to  
5 put a timeline on it, only because look, it probably  
6 depends on lots of macro dynamics, I mean --

7 MS. CHATTERLEY: Of course, I know.

8 MR. GARLINGHOUSE: -- you know, on a more  
9 somber note, watch what's happening with Coronavirus and  
10 these things and like --

11 MS. CHATTERLEY: I know.

12 MR. GARLINGHOUSE: -- it's hard to put in  
13 exact timelines. I think we want to have the  
14 flexibility to be a public company when it's right for  
15 Ripple to be a public company.

16 MS. CHATTERLEY: Yeah, I can see you're  
17 enthused. You get a sense when you talk to, you know,  
18 creators of businesses that that is something that's  
19 part of the plan, and I can see that.

20 MR. GARLINGHOUSE: I think it's part of the  
21 journey.

22 MS. CHATTERLEY: Yeah.

23 MR. GARLINGHOUSE: I mean there's kind of a  
24 meme in Silicon Valley, almost an anti-public thing  
25 where companies have waited and waited and waited, and I

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1 mean I've of the mind that, you know, look, it can be a  
2 very constructive step. Although, I've also said inside  
3 the company, you know, people talk about the IPO as an  
4 exit. I'm like no, no, no, an IPO is a beginning.

5 MS. CHATTERLEY: Yeah.

6 MR. GARLINGHOUSE: It's not an exit. It's a  
7 step in the journey. A financing event is a step in the  
8 journey, you know? I always am a little bit quizzical  
9 when I see some of these companies go public and they,  
10 you know, have these huge celebrations, and it's like  
11 look, that's when expectations just went up.

12 MS. CHATTERLEY: Now the hard work begins.

13 MR. GARLINGHOUSE: I mean you asked me about a  
14 410 billion valuation.

15 MS. CHATTERLEY: I know.

16 MR. GARLINGHOUSE: Like if it's a public  
17 company, it's even more like on the center stage. And  
18 that's when the hard work -- I mean yes, we're working  
19 now, but it only ups the ante.

20 MS. CHATTERLEY: Forgive me this, XRP, higher  
21 or lower in one year time? (Laughter) I had to ask.

22 MR. GARLINGHOUSE: Depends on so many things.

23 MS. CHATTERLEY: I knew you'd dodge that.  
24 Great to chat to you.

25 MR. GARLINGHOUSE: It's really nice to talk to

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1 you. Thank you.

2 MS. CHATTERLEY: Likewise, thank you.

3 (Music)

4 (End of video.)

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Interview with Zoe Cruz, 9/10/2020, via University of North Carolina Kenan Institute

<https://www.youtube.com/watch?v=bp25ZkbMwIU>



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1 P R O C E E D I N G S  
2 04 - Rethinc Labs - Digital Asset Allocation Webinar  
3 MR. GHYSELS: Good morning, and welcome to the  
4 Rethinc Labs Webinar Digital Asset Allocation. I am  
5 your host. My name is Eric Ghysels (phonetic). I am  
6 the research director of Rethinc Labs at the Kenan  
7 Institute. I'm professor finance at the Kenan-Flagler  
8 Business School and a professor of economics at UNC  
9 Chapel Hill.

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This is our first fall event and we off to a great start. The topic of digital asset allocation is a really great topic. It -- and goes way beyond just the questions about portfolio management. And there is no person better placed to talk about this topic than my guest today, Zoe Cruz (phonetic).

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From 2005 until the end of 2007 she was the co-president of Morgan Stanley. She joined the firm in '82 and became the co-head for the firm's foreign exchange business in '93 and global head for fixed income foreign exchange and commodities in 2001. After her distinguished 25-year-long career at Morgan Stanley she built her own boutique investment firm focusing on global investment across two funds.

24 She is currently the senior strategic advisor  
25 for the blockchain fintech company, Ripple. And she

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1 also serves on the board of the Man Group. Of course  
2 Ripple has over the past few years provided generous  
3 support for research on blockchain technology across a  
4 very wide and international network of universities  
5 around -- including UNC Chapel Hill.

6 Thanks to the generous support of Ripple, we  
7 have built here at the Kenan Institute a very active  
8 research network on Fintech. I'd like to say a few  
9 things about housekeeping. At the bottom of your screen  
10 there is a Q&A tab. Please feel free for -- to write  
11 questions during my conversation with Zoe, and we will  
12 set time aside at the end of this hour to answer some of  
13 your questions.

14 Zoe, welcome. It's a pleasure to talk to you  
15 this morning and thanks for accepting our invitation. I  
16 -- my first question is kind of the obvious one,  
17 perhaps. You've spent such a long and distinguished  
18 career in sort of quote, unquote the traditional  
19 established finance world.

20 And you sort of made the switch to the crypto  
21 world. I'm curious. Tell us a little bit of how that  
22 happened and what made you decide to do that switch.

23 MS. CRUZ: Yes. Well, as is the case with  
24 most things in life being in the right place at the  
25 right time and accidental discoveries. And I would say

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1 the reason I was intrigued by that world of a world  
2 where a new and important technological innovation  
3 occurred, which is blockchain technology --

4 MR. GHYSELS: Right --

5 MS. CRUZ: -- distribute a ledger technology,  
6 is because I grew up, as you mentioned, in the foreign  
7 exchange world. But the foreign exchange world I  
8 entered which is the ultimate macro world, FX, is, you  
9 know, is a truly global business, I was a romance  
10 languages in literature major in college and this, for  
11 your audience, will be very important to hear, and so I  
12 basically interviewed at a bank in Boston.

13 And the HR department said, oh, my God, you  
14 speak four languages. We have an opening in foreign  
15 exchange. So, of course, she had no clue you don't need  
16 four languages to trade foreign exchange. So my  
17 introduction to the global macro world was completely  
18 accidental but I had a front seat at a world that  
19 globalizing. We're talking about late 70s, early 80s --

20 MR. GHYSELS: Mm-hmm.

21 MS. CRUZ: -- where the construct that we're

22 going to talk about, the last three decades of a  
23 construct was freely floating exchange rates. Capital  
24 was free to move around the globe for the highest  
25 return. Labor was not and that has a bearing later.

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1 And so when you think about -- I joined Morgan  
2 Stanley out of business school in 1982 it had -- it was  
3 a private company. It had 2000 employees and three  
4 offices. When I left in '07, it was 60,000 people 6-0,  
5 and he had offices everywhere in the globe. So you talk  
6 about -- you know a -- you just get on that escalator to  
7 the to the moon, if you will, being in the right place  
8 at the right time matters.

9 Of course you need to do a decent job. So  
10 fast forward to how I entered this business, as I was  
11 approached for board positions most of them were to be a  
12 board member of major global commercial banks. And I  
13 said I've been there. I've done that. I have zero  
14 interest. I want funky new ideas.

15 So when the headhunter called about Ripple, I  
16 said, you know, I'd like the blockchain technology apart  
17 of this, but this crypto world I don't -- you know,  
18 Bitcoin I don't really believe in that stuff. And I'm  
19 glad I took the call and I met the executives at Ripple.  
20 And so I got into it, as I said, by accident but I knew  
21 enough from my macro background to know this was  
22 something big.

23 It was something new and it could still have  
24 binary outcomes. It could end up at zero. I don't  
25 think so but the possibility is not zero. But I feel

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1 it's as big an innovation, it's as big a new thing as  
2 globalized finance was in the early '80s.

3 MR. GHYSELS: Great. Yeah, indeed. I like  
4 your multi-language story because I -- I'm from a small  
5 country, Belgium and I speak four languages because I  
6 was surrounded by big countries that spoke different  
7 languages. So I like that. (Inaudible). So you know --  
8 the title is Digital Asset Allocation.

9 So let's start with, perhaps, the portfolio  
10 manager, Ripple -- I mean there is, there is bigger  
11 things to be talked about, but let's talk about the  
12 portfolio manager first. And, you know, how would you,  
13 as an investor, think about adding crypto currencies to  
14 your portfolio?

15 What's your thought on that? What would you  
16 sort of advise people who want to sort of dip into this?  
17 What would they -- what would you, you like them to do?

18 MS. CRUZ: I would look at two reasons,  
19 compelling reasons, why you want to look at this space



20 whether you're risk averse, or you have more risk  
21 appetite. One reason is the current 60/40 portfolio,  
22 again that I grew -- made my career 60/40, 40/60. You  
23 could talk a lot about the micro, but it was the macro  
24 bet that made you the money.

25 When you think of that world, again when I

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1 left business school, 30-year treasuries were at 14  
2 percent. Risk-free rate of return was 14 percent. And  
3 so half of your portfolio, we engaged in the ensuing  
4 couple of decades in the biggest bull market in fixed  
5 income in my generation.

6 And so, again, you didn't need to be a rocket  
7 scientist to actually put half of your portfolio into  
8 that asset class and ride that to the moon. When you  
9 talk about 88 trillion dollars' worth of fixed income  
10 assets right now where the portfolios that need to be  
11 allocated 80 trillion dollars, 14 trillion of that is at  
12 negative interest rates. Not 14 percent negative --

13 MR. GHYSELS: (Inaudible).

14 MS. CRUZ: Never mind -- you know, so that's  
15 the risk-free rate of return and the balance is  
16 oscillating above zero. So half of your portfolio that  
17 contributed to low double digits, high single digit  
18 returns is not going to do that, to state the obvious.  
19 In fact, I did some work that says for it to contribute  
20 equivalent amounts, rates have to go up to minus 22  
21 percent.

22 Well, we know that's not going to happen. The  
23 other 60 percent or half percent of your portfolio, I  
24 think even the bulls would say it's expensive, but to me  
25 the data points are, are beyond -- it's expensive.

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1 Tesla trading at 800 P multiples. I mean NASDAQ, as an  
2 example of, you know, there are a lot of good things  
3 that are going on in the technology sector.

4 But I actually think, again, in the pre '08  
5 crisis people forget that people lost their jobs being  
6 negative on mortgages. They lost their jobs and their  
7 careers because they were negative in '05 and '06.  
8 Because '07 equity markets were still making new highs.  
9 So my question is this '05, '06, '07, I don't know, but  
10 I know it's one of these three years.

11 MR. GHYSELS: Mm-hmm.

12 MS. CRUZ: And so coming back to the crypto  
13 world it's desperation of how you're going to preserve  
14 capital that should drive you into some other things.  
15 And gold, real assets, to state the obvious would be  
16 some of those things. And then cryptocurrencies is -- I  
17 look at cryptocurrencies not like looking at

18 correlations, and is it negatively correlated to the  
19 traditional portfolio and should you have it in or not -  
20 - that's not a relevant calculus.

21 To me, Bitcoin is the oldest cryptocurrency.  
22 It's 11 years old. It actually started being a  
23 legitimate asset for investment in 2014, '15. I don't  
24 know what data you'd be looking at that's relative --  
25 relevant to that. So I look at those crypto investments

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1 and I believe in diversified investments as moonshot  
2 opportunities where your investment could go to zero, or  
3 you could make a hundred X, if that world continues to  
4 grow. So with moonshot opportunities, as you know, you  
5 don't want to put your kids' education on the line --

6 MR. GHYSELS: No.

7 MS. CRUZ: -- but it is rational, it is  
8 rational to actually have 1 to 5 percent, and if you  
9 really believe in the stagflation environment 10 percent  
10 maybe, into that world. But not just Bitcoin and not  
11 just XRP but the top contenders.

12 MR. GHYSELS: Yeah, and that leads me to my  
13 next question actually. So, I mean, we do talk a little  
14 bit about -- I mean, you've talked so far about  
15 cryptocurrencies as a, as an asset class, but we know  
16 that, I mean, there are I would say zillions of  
17 cryptocurrencies around.

18 And so, I mean, the obvious one is --  
19 everybody talks about Bitcoin, but there is Ether.  
20 There is Ripple, XRP. There -- so are you -- when you  
21 diversify because some might have -- I mean, I think  
22 most people would agree that Bitcoin is kind of the lead  
23 example, but may not be the only one, and so are you  
24 also thinking about diversifying within that group, or  
25 are you sticking to one?

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1 MS. CRUZ: So diversifying --

2 MR. GHYSELS: (Inaudible).

3 MS. CRUZ: -- within that group -- so the  
4 first step is a two-step -- first step diversifying from  
5 traditional asset classes --

6 MR. GHYSELS: Right.

7 MS. CRUZ: -- and then the second, once you  
8 decide what is your risk profile whether it's 3 percent  
9 or 10 percent, it doesn't matter, diversify within that  
10 asset class of the top five to 10 crypto assets,  
11 cryptocurrencies. And to me, saying I'm only going to  
12 put Bitcoin -- I'm only going to invest in Bitcoin  
13 because it's the current winner, or the digital gold, as  
14 they call it, is equivalent to say that in the early  
15 2000s you're only going to invest in one internet stock.

16 And I don't need to tell you whether it's --  
17 social media, Facebook didn't exist by and large. I  
18 mean Netscape was the browser of choice with 75 percent  
19 market share.

20 MR. GHYSELS: (Inaudible).

21 MS. CRUZ: Google is the leader now and  
22 Netscape doesn't exist. So to me it's the equivalent  
23 thing. I don't know -- there will be winners and losers  
24 but I wouldn't want to have Bitcoin end up being the  
25 Netscape of your investment opportunity. And again, the

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1 way I look at that diversification each of those  
2 currencies was designed differently.

3 It has underbellies. All of them do, but it  
4 also has clear winner characteristics in the alley that  
5 they chose to compete in. So Bitcoin is the digital  
6 gold. So when I talk about diversifying, it's the  
7 idiosyncratic risk of that particular cryptocurrency.  
8 So the pluses and the minuses of Bitcoin, digital gold,  
9 the oldest, it made a lot of people rich.

10 So you have a lot of passionate people that  
11 would, you know, be very good at defending it and its  
12 construct. Its underbelly is -- actually it costs a lot  
13 of energy and I don't need to tell you ESG, Environment  
14 Social Governance is the new thing. If you -- the  
15 bigger the blocks the more successful Bitcoin becomes,  
16 the more that's an issue.

17 XRP is the alley it has chosen. It is the  
18 leader in that class. It is basically the cross-border  
19 payment system. The reason this is an important  
20 distinction is cross-border payment system currently  
21 practiced through correspondent banks works fine through  
22 the SWIFT system.

23 It's a messaging system. It works fine if  
24 you're Morgan Stanley sending a billion dollars to  
25 Goldman Sachs, or to Citigroup. If you're a small

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1 basket weaver in Nigeria, not so good --

2 MR. GHYSELS: I agree.

3 MS. CRUZ: So the cross-border payment system  
4 where XRP was designed for rapid -- literally  
5 instantaneous, nanosecond transaction time for very high  
6 volume, low value business where you can send \$200 to  
7 the woman in Nigeria, that's an idiosyncratic plus.

8 It's minus is it has a lot of concentrated  
9 holdings in Ripple, the place I advise where 50 percent  
10 of all the coins minted are on the balance sheet. So  
11 again, Ethereum, Ethereum is a very successful currency.  
12 Its alley is smart contracts. There are a lot of very  
13 smart people actually coding, and you -- doing a lot of

14 beautiful -- building beautiful things on smart  
15 contracts on Ethereum.

16 So I would look at these currencies as a VC  
17 investment, a surrogate for a VC, venture capital  
18 investment, without the fees and without the  
19 intermediaries. And as you know from VC investments,  
20 you're very, very good if you have two moonshots and  
21 eight of them go to nothing. So that's how I view that  
22 world.

23 MR. GHYSELS: I like that actually because  
24 indeed, those three examples, Ether, Bitcoin, and XRP  
25 are basically very different in -- in the fundamentals.

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1 The business model for those three currencies is very  
2 different. And the diversification makes a lot of  
3 sense.

4 Now, you kind of dropped the word "gold" and  
5 this is, perhaps, a little bit of a transition from,  
6 sort of, the discussion about moonshots and sort of  
7 betting on growth, potential growth. It gets you into  
8 the discussions of macro risk. You know, gold is often  
9 sort of -- or historically viewed as the hedge against -  
10 - for bad times and there's been, sort of, arguments  
11 that Bitcoin is the new gold.

12 You know, sort of the go-to assets when there  
13 is downside risk. What's your thought on that? Is  
14 Bitcoin, particularly Bitcoin, the new gold, or would  
15 you shy away from that -- from that statement?

16 MS. CRUZ: No. No. No. Not at all. Yes, in  
17 fact, as I said earlier in its design and its -- the way  
18 it has a passionate group of people who will preserve  
19 its value, because the more you have vested interest the  
20 more you will try to preserve its value. But that  
21 actually doesn't -- to me, I invested my own personal  
22 wealth and others asset allocation was my -- how I made  
23 my career, and I never owned gold up until last year.

24 Didn't -- because I don't believe in negative  
25 carry investments, which gold is, but something big in

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1 the macro world -- so they're not mutually exclusive  
2 things. They're not either you invest in Bitcoin, or  
3 you invest in gold. You invest in both for different  
4 reasons.

5 For me, gold, when you are talking about -- we're  
6 all -- we've -- all of us lost, actually, a sense of  
7 what is egregious and what is -- me included. To me  
8 we're printing money in the trillions with an "S",  
9 trillions. We have a republican government that is  
10 printing more with a three trillion-dollar budget  
11 deficit and interest rates at zero.

12 MR. GHYSELS: Correct.

13 MS. CRUZ: So they're pushing on a string  
14 here, and so I feel -- and I'm doing a lot of reading on  
15 the Weimer Republic here the Deutsche mark was good and  
16 then it wasn't. And it wasn't good by a lot. And so  
17 for me, gold has a very real place in a world that's  
18 falling apart.

19 I think stagflation is a very real scenario  
20 and people are very U.S. focused because -- I mean,  
21 India and China, I would argue is already in a  
22 stagflation environment. They both have inflation and  
23 their economies aren't growing. In the U.S., I feel we  
24 have measurement issues with the way we measure  
25 inflation, but the purchasing power of your average

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1 middle-class American, never mind lower middle-class  
2 American, where the food and rent is where they spend  
3 half of their disposable income, for them inflation  
4 isn't 1.6 percent, if you went to the supermarket  
5 lately.

6 So we, we are going to have, I believe, a  
7 stagflation world where you should have gold more than  
8 you ever felt comfortable, because for me, a lot of  
9 portfolio managers with fiduciary responsibilities think  
10 that I don't -- I want to be risk averse. But in this  
11 environment, the ultimate risk is not taking any risk at  
12 all.

13 That's the new, new thing. The fact that  
14 you're piling in to 30-year money at one percent, to me  
15 that's the ultimate risk that you put in your portfolio  
16 too.

17 MR. GHYSELS: Your mentioning of the Weimer  
18 Republic is scary.

19 MS. CRUZ: Yeah.

20 MR. GHYSELS: I'm sorry.

21 MS. CRUZ: Yeah.

22 MR. GHYSELS: And I'll tell you an anecdote  
23 why. I, I, I -- when I was in undergrad, I had a  
24 fairly old gentleman who lived through the German hyper-  
25 inflation when he was, himself, a youngster, and he told

0016

1 the story that people would go to a bar at night and  
2 order all the beer for their entire night at the  
3 beginning of the night, because by the end of the night  
4 the beer was substantially more expensive.

5 But anyway, that's hyperinflation, of course.  
6 And note that the (inaudible) it's -- I mean we've had  
7 this two percent sort of target for inflation, but  
8 lately even -- I mean we know -- we all know that the  
9 fed -- I mean, they've sort of now said, well, we'll

10 kind of say on average or relax this a little bit.

11 It's not -- too bad about having a little bit  
12 of inflation, and so it's coming. I agree with that  
13 actually (inaudible). Anyway, so, I see -- a little bit  
14 back to the cryptocurrency. I -- all of your arguments  
15 are, are very compelling, but there is still the kind of  
16 world of institutional investors out there who are  
17 probably conservative in their asset allocation.

18 I mean, there's also the issue that Bitcoin  
19 has a little bit of a shady side to it. It's being used  
20 also by organized crime and things alike. So where do  
21 you see -- I mean, the majority of institutional  
22 investors are staying away from digital assets.

23 MS. CRUZ: Yes.

24 MR. GHYSELS: What would it take then -- what  
25 do you think it will take for them to be convinced? I

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1 mean --

2 MS. CRUZ: Yeah --

3 MR. GHYSELS: -- we have options -- markets

4 now --

5 MS. CRUZ: Yes.

6 MR. GHYSELS: -- that's added to the equation  
7 but it probably will take more than that. So what's to  
8 your thought on that? What's going to move it?

9 MS. CRUZ: So it's a great question and I  
10 think that unless the industry with the help of global  
11 regulators create a framework, a regulatory framework to  
12 subsume the blackhead, the drug lords if you will, and  
13 have a regulatory robustness with the white hats --  
14 and to me, fidelity is the white hat -- the drug lord is  
15 the black hat -- all is lost.

16 So my bet in Ripple I know is -- has a  
17 leadership position in trying to get rules of engagement  
18 that makes sense. Having come from Wallstreet, I  
19 believe their right to throw the opprobrium that they've  
20 thrown at our industry -- we contributed a lot to a  
21 mindless deregulation and we forgot actually -- and I  
22 intend to help the industry not forget that the Glass-  
23 Steagall which was 35 pages long which actually was the  
24 result of the last great crash in the 20s --

25 MR. GHYSELS: Correct.

0018

1 MS. CRUZ: -- was born out of that crash, it  
2 took decades of good regulatory frameworks to create the  
3 biggest, most liquid market in the world called the U.S  
4 equity market. What did we do with that 35-page  
5 principle-based regulation, the industry? Where Glass-  
6 Steagall had a very simple principle, you could not be a  
7 principal and an agent to the same transaction.

8 That's unacceptable conflict, very simple. Well,  
9 we threw it out the window and well, we all know what  
10 happened after that. So now we have mindless regulation  
11 which is the other extreme. I'm not talking about  
12 having mindless regulation in this industry but I think  
13 if we call less around principle-based rules, which I  
14 think the Europeans, ironically, are better than the  
15 U.S. at this, I think we will save the industry from the  
16 drug lords, but not completely.

17 Cash is the favorite means. It's not Bitcoin,  
18 yet. It's cash in suitcases on private planes that gets  
19 the drug lord money from one place to another. So  
20 you're not going to eradicate that.

21 MR. GHYSELS: Yeah, I mean you're touching on  
22 so many topics right now, regulatory issues, and I mean,  
23 there is also the conversation about currencies. Some  
24 central banks, including the Chinese central bank, and  
25 others around the world are experimenting, or

0019

1 implementing even basically, digital substitutes for  
2 cash.

3 In particular, in China where -- there is much  
4 more use of mobile payment apps, which sort of is  
5 widespread, and now we're talking about the world  
6 of transactions, the payment systems, and the regulatory  
7 environment, and monetary policy. We're getting back to  
8 inflation and fiat money.

9 So where do you see this going in terms of --  
10 and that is part of the moonshot as well. I mean, XRP  
11 is making inter-bank transactions, international  
12 transactions easy through blockchain --

13 MS. CRUZ: Mm-hmm.

14 MR. GHYSELS: -- what about the more  
15 widespread blockchain payment systems that central banks  
16 are experimenting with?

17 MS. CRUZ: Right.

18 MR. GHYSELS: What's your thought on that?

19 MS. CRUZ: So I think that it is a good thing  
20 that the central banks around the world are saying there  
21 is technology that can help us become more efficient  
22 in moving fiat currencies around. If we make them  
23 digital, we can use the technology to make the world  
24 more efficient where we don't need the city groups --  
25 the conglomerates, as you know, they have a lock on

0020

1 global movements of money.

2 If you're going to say antitrust is going to  
3 be the new, new thing, I need to get the intermediaries  
4 out of the way by actually having the digital world be  
5 helped --- helping the monetary fiat currencies. Money



6 -- fiat currencies, whether it's digital or cash, will  
7 never go away.

8 I believe that there are two very powerful  
9 monetary policies for any sovereign nation, fiscal and  
10 monetary policy. They will never give up control of  
11 that. What they've done though is say crypto to crypto,  
12 knock your socks off. If you want to basically agree --  
13 because remember Bitcoin was created to bypass -- to not  
14 have fiat currencies be necessary. So it's basically  
15 being able to do barter, barter economy using the  
16 Bitcoin as a bridge currency or XRP as a bridge  
17 currency.

18 MR. GHYSELS: (Inaudible).

19 MS. CRUZ: What they've said is crypto to  
20 crypto, knock your socks off. You want to lose all your  
21 money, be my guest. Where they're very keen, and I  
22 think they will win that game, is the on and off ramps  
23 of fiat to crypto and crypto to fiat.

24 MR. GHYSELS: Right.

25 MS. CRUZ: And that's where I feel again, the

0021

1 industry is a bit conflicted because it's noise. I  
2 mean, remember you have the Bitcoin enthusiasts that  
3 created -- these brilliant people that created Bitcoin,  
4 as I said, in '08 out of the ashes on Wallstreet to  
5 fight the men.

6 Those guys are never going to accept fiat  
7 currencies, but they're not relevant in the world I'm  
8 talking about in terms of having fidelity diversify its  
9 portfolio. That revolutionary is not relevant. The  
10 relevance is are these usage cases real?

11 Are they scalable, and who are going to be the  
12 winners, because the winners in that space -- the mode  
13 of actually transacting in that alley is the currency.  
14 So it's a cheap, effective way, as I said, to actually  
15 bet on this future.

16 MR. GHYSELS: So the other one everybody talks  
17 about is Libra.

18 MS. CRUZ: Mm-hmm.

19 MR. GHYSELS: So we're -- I mean -- so  
20 Bitcoin, Ether, XRP, etcetera, they're all grassroots.  
21 They started out by -- they did private enterprise  
22 initiatives or grassroots initiatives.

23 MS. CRUZ: Mm-hmm.

24 MR. GHYSELS: And then we talked about central  
25 banks and we talked about monetary policy, but now we're

0022

1 back to Libra which is basically, Facebook. So where do  
2 you see this going in terms of this -- is it going to be  
3 ultimately something different -- not much different



4 from a dollar -- and as I sometimes say to my students,  
5 we replace "In God we trust" which is printed on the  
6 dollar in crypto, in cryptology we trust.

7 So is it going to be mostly that, a  
8 replacement with a sort of official central bank  
9 backing, or are we talking as we currently have mostly  
10 either private companies or grassroots sort of  
11 initiatives? What's your thought?

12 MS. CRUZ: The answer is I don't know where it  
13 ends up but I know how they are -- why they're pivoting  
14 because remember Libra 1.0 was dead on arrival --

15 MR. GHYSELS: (Inaudible).

16 MS. CRUZ: It had great technology, great  
17 technology. You're talking about Facebook distribution  
18 --clients around the world of two billion people. I  
19 mean, what an amazing beginning of a story. What they  
20 got wrong, again, is if you're going to pretend, you're  
21 going to play in the banking space, you need to  
22 understand that construct.

23 The -- so you can say that whatever fancy name  
24 you call Libra, it's actually digital fiat currency  
25 you're playing with. And if you're going to be in a

0023

1 digital fiat currency, I'm going to regulate you the way  
2 I regulate Citigroup. Citigroup is run by people that  
3 understand what the regulators want, nowadays anyway,  
4 and process.

5 So they pivoted to something where they  
6 understand they need to, to accede to regulators  
7 concerns, and therefore, I think they have a chance at  
8 succeeding. But then -- because I have a lot of respect  
9 obviously, for both the technology and their  
10 intelligence in knowing where they need to go, but I  
11 think they don't really understand the heavily regulated  
12 financial world that has become a utility, which is --  
13 what they've said to the top 10 global banks, you can  
14 actually have 80 percent market share, but you're going  
15 to act as a utility. I'm going to be all over you. And  
16 if Libra is willing to submit itself to that, they can  
17 play that game --

18 MR. GHYSELS: Right.

19 MS. CRUZ: -- but they need to reinvent their  
20 business model. And then the final thing I would say if  
21 I'm a betting person, anti-trust is going to be a very  
22 big theme. If I'm interested in law, what I would tell  
23 my students is study anti-trust. These global  
24 behemoths, I don't think they're going to be allowed to  
25 function the way they're functioning, which is hoovering

0024

1 everything into a big dark hole at the center.

2 MR. GHYSELS: I agree. I want to talk to you  
3 a little bit -- get you back to -- you know, you've done  
4 25 years with Morgan Stanley quote, unquote established  
5 finance or traditional finance. And we started out  
6 talking about fixed income, foreign exchange  
7 commodities.

8 I mean usual asset classes and now, also we  
9 have private equity which is sort of off, off the  
10 markets. But there is -- particularly when you talk  
11 about Ether and Ethereum sort of this programmable part,  
12 the smart contract part --

13 MS. CRUZ: Yeah.

14 MR. GHYSELS: -- of the blockchain and not  
15 just for the purpose of currencies but, but --

16 MS. CRUZ: Yeah.

17 MR. GHYSELS: -- initial coin offerings, and,  
18 and the like, which is totally a different conversation  
19 also in terms of regulatory environment -- the SEC has  
20 had some opinions about that. But if you sort of think  
21 about blockchain technology penetrating into the  
22 different asset classes such as collateral markets --

23 MS. CRUZ: Yes.

24 MR. GHYSELS: -- you know, what's your -- so  
25 this takes us a little bit away from the currency

0025

1 discussion.

2 MS. CRUZ: Correct.

3 MR. GHYSELS: Where do you see that blockchain  
4 revolution which is now also sort of penetrating in  
5 contract --

6 MS. CRUZ: Yeah.

7 MR. GHYSELS: -- designs. Where do you see  
8 that having an impact in the financial world?

9 MS. CRUZ: I think -- well at first it will  
10 have an impact in the way we live in the sense that  
11 smart contracts you know, identity and smart contracts  
12 meaning right now if I sell my home, I actually have to  
13 go into a physical file and find that piece of paper,  
14 the deed, you know, that says I own it in the 21st  
15 century.

16 Well, the first thing that's going to be  
17 revolutionized is you're going to have immutable records  
18 thanks to this blockchain technology. That'll make our  
19 life a lot easier. In terms of the financial aspects of  
20 it, again, the old finance that I belong in billions of  
21 dollars in Morgan Stanley are being spent on operations  
22 and technology that is, you know, a hodgepodge of old  
23 systems, you know, trying to talk to one another.

24 This is tabula rasa and says you don't need  
25 all this operational chaos that is part of the old

0026

1 world, that to me blockchain technology will make not  
2 only the collateralized loans, any security whether it's  
3 equities whether it's -- even the more complex -- I  
4 mean, they cannot be too complex because then, you know,  
5 automatic -- automating very complex things that require  
6 more than three, four factors, that's not --

7 MR. GHYSELS: Right.

8 MS. CRUZ: -- but there is a lot of room to  
9 make moving asset value around a lot cheaper without as  
10 many intermediaries taking their two percent.

11 MR. GHYSELS: Correct. Correct. We are kind  
12 of winding down but I sort of wanted to -- given your  
13 long career, again, in the finance world and continuing  
14 in the crypto world -- so last week I read an article  
15 and this is not the only thing that you that you read  
16 about it, but the Financial Times, it's my morning  
17 reading.

18 My Financial Times breakfast reading, that for  
19 this year at least all female or mixed gender portfolio  
20 management teams are outperforming all-male portfolio  
21 management teams. So as a woman in in this industry for  
22 -- with a long career, any comment? Any thoughts?  
23 (Inaudible) rational or emotional?

24 MS. CRUZ: Well, look, I actually am a huge  
25 believer in diverse teams, not all men, all women -- I

0027

1 mean, I -- a lot of people that know me tell the story  
2 when I took over fixed income, I had 22 direct reports,  
3 all of them men. And I reorganized the division down to  
4 six direct reports which mean I gave six men much bigger  
5 jobs which means any women, you know, were shoved even  
6 lower.

7 And I had somebody come in and say this is a  
8 meritocracy, you know. Why is this happening? Anyway,  
9 I'm not going to divert. It was an incredible session  
10 we had. In a meritocracy, why do you have this state of  
11 affairs? But my observation at managing teams -- and  
12 I'm very passionate about it is diversity, not all women  
13 because all women teams, I think it's a different kind  
14 of hell, but diverse teams.

15 If 52 percent of the gray matter of the world  
16 is female, which it is, you can't exclude that and  
17 expect an optimum outcome. But in addition to the  
18 gender, I think -- I was born and raised in Greece. I  
19 have a very unique approach to a problem, not better,  
20 not worse, than a guy from Ohio and a gal from India.

21 MR. GHYSELS: (Inaudible).

22 MS. CRUZ: So to me, diverse teams that come  
23 to a problem with a very ecumenical point of view is

24 what gives you the better answer. So I think some of  
25 that data might speak to that point.

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1 MR. GHYSELS: I completely agree. I mean, I,  
2 myself, also from Belgium, and being from a small  
3 country -- we were a little bit even smaller than  
4 Greece. I know what you're talking about. You know,  
5 your advisor to Ripple, the CEO of Ripple, and it's sort  
6 of well-known that Ripple is sitting on a huge pile of  
7 cash, and it's sort of looking for you know where to go  
8 with blockchain technology.

9 I -- you know -- just -- what's your thought?  
10 I mean, you know, they've been very successful with the  
11 interbank transactions model and, of course, that's one  
12 distinguished application for which they really created  
13 a market. What else is out there? What do you think  
14 would be the sort of bet for a company like Ripple?

15 MS. CRUZ: Well, look I think they chose a  
16 space, the cross-border payment space, high volume, low  
17 value, not the (inaudible) Morgan Stanley, Goldman Sachs  
18 space. The one that addresses -- it's a multi-trillion-  
19 dollar space, by the way. Two hundred dollars adds to a  
20 lot of money --

21 MR. GHYSELS: Yeah,

22 MS. CRUZ: -- but you're talking about 2.7 --  
23 oh, sorry, 1.7 billion unbanked. 1.7 billion people  
24 don't even have a bank account, no -- how small the  
25 account is, and another 2 billion people under bat.

0029

1 MR. GHYSELS: Right.

2 MS. CRUZ: So they chose a space that said not  
3 only do you have people outside of the financial system,  
4 and XRP being used as the bridge currency because it was  
5 designed for that, is a multi-trillion-dollar problem  
6 that if I solve it, I make a lot of money. I, being  
7 Ripple, but also, I make a difference.

8 And frankly, the reason I am so excited to  
9 work with that company is they can change the world. So  
10 that's their mission. They're not going to -- it's very  
11 expensive, by the way, to have railroad tracks that  
12 reinvent the way cross-border payments are being done.  
13 So they're lucky to have a balance sheet for such a  
14 worthy goal.

15 Having said that, look I used to be an options  
16 trader. Options are wonderful things to have provided  
17 they're not too expensive. They understand that there  
18 are -- the ecosystem is being built, you know, exchanges  
19 that are worthy of that word, as opposed to fly by night  
20 exchanges in the middle of nowhere.

21 So they are putting some money in that

22 optionality of -- if that infrastructure gets built, it  
23 has two things. One is it legitimizes the space and  
24 also you're making money on your investment. But I  
25 would say they're very smart in the way they're going

0030

1 about these options, but their main mission where the  
2 money is being spent is really laying down those  
3 railroad tracks that are very important.

4 And no one -- I mean, frankly, as I said, they  
5 can't pretend they occupy a big -- they are a store of  
6 value, just like Bitcoin is obviously -- but they're the  
7 clear winner currently in that cross borders -- the  
8 clear winner --

9 MR. GHYSELS: Correct.

10 MS. CRUZ: -- and that's why -- as I said  
11 though, I also say they could be the Netscape of the  
12 world or they could continue to be Google from day one  
13 to where they are today.

14 MR. GHYSELS: Indeed. Indeed. Maybe it's  
15 time for us to -- let me just look at some of the  
16 questions in the, in the chat. So, my friend, Ken  
17 Harvey (phonetic), a friend and colleague at -- has a --  
18 let me, let me read his question. When recently -- we  
19 recently had a risk off realization with the COVID  
20 crisis.

21 In March, the stock market plunged and so did  
22 gold, and Bitcoin. Cryptos dropped 50 percent. When  
23 things calm down and sentiment changed to risk on equity  
24 markets went up, stocks, gold cryptos. What does this  
25 influential observation tell us? Aren't these just risk

0031

1 assets? Where -- there was no hedge? That's a first  
2 question. Why don't we take that one first?

3 MS. CRUZ: Right.

4 MR. GHYSELS: So -- yeah --

5 MS. CRUZ: Yeah.

6 MR. GHYSELS: -- COVID --

7 MS. CRUZ: Right.

8 MR. GHYSELS: --it's the perfect laboratory  
9 for, you know --

10 MS. CRUZ: Mm-hmm.

11 MR. GHYSELS: -- bad outcomes. And--

12 MS. CRUZ: So --

13 MR. GHYSELS: -- there was nowhere to hide.

14 MS. CRUZ: Right. Exactly. So if you take  
15 the horizon of zero to six months or zero to a year,  
16 let's say, they were as risk assets speculative vehicles  
17 as frankly, Tesla at 800 P is a speculative vehicle. No  
18 different. I feel the crypto world in the frame that  
19 I'm putting it, three -- year one to five years out is

20 equivalent to the value investor who is dying a slow  
21 death and saying one of these years I'm actually -- my  
22 long-term horizon is going to work.

23 MR. GHYSELS: (Inaudible).

24 MS. CRUZ: -- and battery investors look at  
25 not the next six months. So that's how I separate the

0032

1 horizon and how we evaluate these. That's why this idea  
2 of looking at correlations versus portfolio, right now,  
3 I think that's nonsense. That doesn't work for the  
4 reasons we just talked about.

5 MR. GHYSELS: My question is can we talk about  
6 governance tokens? I mean, we touched on them very  
7 briefly with the smart contracts that are linked to  
8 these governance tokens that are linked to fintech  
9 innovations like MKR, Konk (phonetic). It seems like  
10 they should be treated differently from purely  
11 speculative assets like Bitcoin. So that's the  
12 regulatory side or -- but what's your thoughts about  
13 those governance tokens?

14 MS. CRUZ: I didn't know enough to be -- to  
15 give you a thoughtful answer, to be honest with you, but  
16 I would be -- what I would be -- beware of uses of  
17 nomenclature that vests you with some kind of a  
18 credibility to bilk, if you will, the unsuspecting. I  
19 think governance should be part and parcel of any  
20 company in any space.

21 I don't know that you need a different coin to  
22 actually express that, but as I said, I don't know  
23 enough to really -- this was just my gut reaction to it.

24 MR. GHYSELS: Sure. You suggested a one to  
25 five percent allocation to cryptos early on in our

0033

1 conversation. That's a huge range depending on your  
2 assets under management.

3 MS. CRUZ: Exactly.

4 MR. GHYSELS: How would the investor decide  
5 where to be in that range? What kind of portfolio  
6 analytics would, you know, a PM run to make this  
7 decision? And on a related note, how do you estimate  
8 the upside versus the downside probabilities of these  
9 bits?

10 I mean, I've looked at correlations between --  
11 I mean, I know that where you want to stay away from  
12 correlations and you want to, sort of, be -- look more  
13 like the, sort of, upside over longer horizons. But,  
14 you know, where would you recommend a person who is more  
15 in a traditional mindset of, you know, hedging and  
16 correlations across different asset classes? And where  
17 would you put them between the one and five percent

18 which can be a huge difference?

19 MS. CRUZ: So, first of all, I would look at  
20 who I am in terms of my net worth, like you say, and for  
21 me, if you are barely making ends meet and you have some  
22 -- some assets to -- there is value to sleeping well at  
23 night. So to me, if five percent of whatever it is you  
24 have you're starting to not sleep well that's too much  
25 no matter what probabilities you assigned to it, because

0034

1 for me, as I said in trading when I was managing  
2 traders, even if you assigned 0.01 probability to a  
3 scenario and you bankrupt Morgan Stanley, the position  
4 is too big.

5 So that's how I would think about it. If  
6 you're sleeping like a baby, maybe one percent is too  
7 small. So it's you. What is your risk appetite based  
8 on -- you should not put yourself, if you have three  
9 kids to feed, in a position where you can't feed them.  
10 Having said that, if you're the kind you have no  
11 obligations and you say, you know what, if I am wrong, I  
12 don't care.

13 I'm going to sell my house and my car, and I'm  
14 going to live in a tent, 10 percent might be appropriate  
15 for the moonshots. So that's how I look at investments,  
16 not just crypto but traditional investments as well. I  
17 value sleeping well at night. In my career, basically,  
18 since I guess I saw fortunes being made and lost, for me  
19 sleeping well at night is an important thing.

20 I work because I want to, not because I need  
21 to. So to me that dictates how you should be  
22 approaching investing in the world. What's your risk  
23 appetite for change in life? In terms of the  
24 cryptocurrencies, I would look more like the internet  
25 world.

0035

1 So let's say you decided back in 1997 all  
2 these cool companies were coming up, Internet Explorer  
3 and blah blah blah, you know how much can I afford to  
4 lose to a business plan? You had these people being  
5 given money on a business plan. You know, not actually  
6 executing on a -- just a business plan.

7 And the right call was again, within that  
8 profile, how much money and within that I would do the  
9 analysis the same way, which is looking at why is Google  
10 that just announced in 1997 -- they're going to get into  
11 that space -- and I would look at again the industry  
12 risk within that industry risk, what are the people  
13 jumping at the bid at the Internet Explorer, or whatever  
14 the -- so for me, right now, is Ripple is the clear  
15 winner.



16           What do I need to see to make sure they stay  
17 that? Are there others that are coming behind Bitcoin?  
18 And overall, the one thing I would say, the risk that  
19 you can't handicap, is a quantum computing. I mean,  
20 most people that know anything about it, and I know  
21 exactly zero, if not less than zero, they say that's a  
22 long way off, and they'll be antidotes to the problem.  
23 But if it's not a long way off and that 51 percent  
24 attack becomes an easy peasy thing, everything I've  
25 said, you need to forget about.

0036

1           MR. GHYSELS: Actually, you know, I do a lot  
2 of research on quantum these days. It's still -- it's  
3 one of these moonshot researcher -- I mean, it's  
4 something that is probably -- I don't know how many  
5 years I have left in my research career. It's probably  
6 not the best investment. If I were a young person, it  
7 might have bigger payouts, but I just love the topic and  
8 I was going to end by announcing our next webinar which  
9 we run a webinar series on quantum.

10           This is ongoing and it's -- the next one is  
11 going to be in two weeks actually, on dynamic portfolio  
12 allocation. But quantum is indeed, a big, a big unknown  
13 right now because of the entire cryptography, which is  
14 the underpinnings of the blockchain security, the trust  
15 that we have.

16           It is in the -- if we can crack those  
17 algorithms much easier and we do, we'll do -- be able to  
18 do that in a foreseeable future, actually, if given  
19 what's going on in terms of the technology evolving with  
20 quantum computing. It is -- it's a really serious  
21 problem not only for crypto assets -- it's an obvious  
22 problem for crypto assets, but also all the document  
23 safety, the encryptions of documents.

24           It's -- it will scare the hell out of  
25 financial institutions. It is known that people are

0037

1 just saving documents right now because they know that  
2 in a couple of years, they will be able to encrypt them  
3 easily. And that's a totally different chapter to talk  
4 about, but it is an important topic that I think people  
5 in the financial industry -- some of them are very aware  
6 of it and are getting prepared for it, but there are  
7 still a lot of who are not. And that's --

8           MS. CRUZ: First of all, I would love to be  
9 invited to that because -- but what I would say is the  
10 way the Google executives talk -- and others talk about  
11 auto-driving cars --

12           MR. GHYSELS: Yeah.

13           MS. CRUZ: -- it's a great story and it will



14 be a great story for another decade, if ever. In fact,  
15 a very serious man said if ever.

16 MR. GHYSELS: Right.

17 MS. CRUZ: And I look at that world, and as I  
18 said I'd love to be invited, where for purposes of what  
19 we're talking about both the governments and the  
20 research itself is long way off, is what I'm hearing  
21 from people that know something about -- so --

22 MR. GHYSELS: Yeah. Yeah, yeah, I agree, but  
23 -- you know self-driving cars and all that is a much  
24 more complex problem than the cryptography problem which  
25 is more relevant here for their conversations. In any

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1 event, I think we're kind of running -- out of time. I  
2 had a great time talking to you --

3 MS. CRUZ: Thank you.

4 MR. GHYSELS: And you know, when this pandemic  
5 is behind us, I hope that we can have another meeting  
6 face-to-face, and continue this conversation. To close,  
7 I would like to say that we resume -- since we ended up  
8 -- that was not really planned -- alternate quantum --  
9 we will have Rethinc Labs Quantum Seminar on September  
10 23rd.

11 That's a continuation of our series on quantum  
12 by Roman Auras (phonetic) who is actually going to talk  
13 about a dynamic portfolio allocation problem with real  
14 data on a quantum machine. And so mark your calendars.  
15 The information is on the Kenan Institute Rethinc Labs  
16 website. Again, Zoe this was a wonderful conversation.  
17 We've covered a lot of things and I really appreciate  
18 it. Thanks for being with us today. Take care.

19 MS. CRUZ: Thank you for the invitation.  
20 Thank you very much.

21 MR. GHYSELS: (Inaudible) bye, bye.  
22 (End of audio.)

23 \* \* \* \* \*

24

25

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1 TRANSCRIBER'S CERTIFICATE

2

3 I, Kayla Regan, hereby certify that the foregoing  
4 transcript is a complete, true and accurate  
5 transcription of all matters contained on  
6 the recorded proceedings in the Matter of Ripple Labs,  
7 Inc. 04 - Rethinc Labs - Digital Asset Allocation  
8 Webinar, 401685.

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<https://www.youtube.com/watch?v=Fzxbyuv1Kb4>



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1 UNITED STATES SECURITIES AND EXCHANGE COMMISSION

2

3 In the Matter of: )

4

) File No. NY-09875-A

5

RIPPLE )

6

7 SUBJECT: Julia Chatterley #CryptoCrazy with

8

@Ripple CEO Brad GarlinghouseCNN

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Interview - YouTube.mp4

10 PAGES: 1 through 13

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P R O C E E D I N G S

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Julia Chatterley #CryptoCrazy with @Ripple CEO Brad

3

GarlinghouseCNN Interview - YouTube.mp4

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MS. CHATTERLEY: We've been looking at ways  
cryptocurrencies can be a force for positive change.  
One example is Ripple. It's a platform used to make  
international money through transactions faster and  
cheaper.

9

Now, one way Ripple facilitates that is by  
using the cryptocurrency XRP. I asked CEO Brad  
Garlinghouse to explain what XRP actually is and how it  
all works. Listen in.

13

MR. GARLINGHOUSE: XRP is like a bitcoin.  
It's a digital asset. It's today the third most  
valuable digital asset. And it -- what we do is, we  
take a transaction between banks, and instead of having  
a bank prefund and account at the other bank, which is  
how correspondent banking works today, the bank of Brad  
in dollars would prefund the bank of Julia, perhaps in  
pounds. And then, I would debit and credit that.

21

But, that means I have to prefund and have  
dormant capital sitting at that other bank. What we  
allow banks to do, we allow payment providers to do, is

22

23

24 to tap into the liquidity of XRP liquidity. So, today  
25 there's lots of liquidity between XRP and U.S. dollar.

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1 There's lot of liquidity between XRP and British pound,  
2 and you can tap into that to move value in real time, in  
3 seconds.

4 And even compared to bitcoin, which takes up  
5 to 12 minutes to complete one transaction, XRP is  
6 extremely fast, at about three seconds per transaction.  
7 That has meant XRP's extremely scalable in contrast to  
8 how bitcoin works.

9 MS. CHATTERLEY: So, it basically goes, bank  
10 Brad has dollars, dollars get transferred to XRP, then  
11 XRP is transferred to sterling, and sterling then hits  
12 bank Julia. That's how it works?

13 MR. GARLINGHOUSE: That's exactly right. And  
14 so, from a consumer point of view, and how we're working  
15 with, for example, a Money Gram, the consumer itself  
16 doesn't actually see that it's flowing through XRP to  
17 solve their problem.

18 What the consumer sees is simply a better  
19 product at a better price. That's good for Money Gram.  
20 That's good for Money Gram's customers. And so, we're  
21 seeing more momentum than we've ever had around using  
22 XRP to move this liquidity around the world.

23 And so, we couldn't really be happier about  
24 how that has played out. In a world where there's still  
25 a lot of, I think of FUD, a lot of uncertainty, a lot of

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1 doubt about what's going on in crypto, this is a  
2 real-use case solving a real problem for real customers.

3 MS. CHATTERLEY: Okay, so which banks right  
4 now are actually using Ripple?

5 MR. GARLINGHOUSE: Well, we have signed up  
6 about 2 -- over 200 banks around the world. Some of  
7 those banks just use our software to do that debit and  
8 credit, fiat to fiat, and some of them are using XRP in  
9 those flows. We have banks like (inaudible) that we've  
10 been working with for years and are moving lots of  
11 volume through Ripple's technology.

12 And then, as I mentioned earlier, payment  
13 providers like Money Gram, or Ria, or Azimo that are  
14 using XRP actually to move that liquidity and really  
15 solve -- reducing their cost and improving the product.

16 MS. CHATTERLEY: Just in terms of the  
17 transactions though that you're seeing using Ripple,  
18 what proportion of those actually use XRP versus direct?  
19 And just, where do you see that ratio going? I'm just  
20 trying to get a sense of how much --

21 MR. GARLINGHOUSE: Yeah.

22 MS. CHATTERLEY: -- XRP itself is actually  
23 used as part of the Ripple platform?

24 MR. GARLINGHOUSE: So, I would say, either  
25 order of magnitude, the way I think about it is similar

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1 to the proportion of customers. So, if we've got, you  
2 know, I don't know, a couple hundred customers we have  
3 launched. Ten to fifteen of them we've talked about  
4 using XRP. You know, I would use that ratio as the  
5 total ratio between what's happening with Ripples  
6 technology overall (audio cuts out).

7 MS. CHATTERLEY: XRP, like bitcoin and other  
8 cryptocurrencies has been volatile. I asked Brad if the  
9 message to investors is, "Don't use XRP to speculate."

10 MR. GARLINGHOUSE: People are going to  
11 speculate on different asset classes. People speculate  
12 on gold, currencies. I mean, you name it. People are  
13 going to speculate.

14 When we think about this, and what I have said  
15 very publicly is, I think the long-term value of any  
16 digital asset is going to be derived from the utility it  
17 delivers. There is a lot of hype in the crypto market  
18 space. You know, we have seen that even recently.

19 You know, we -- a lot of attention around  
20 what's going on with Libra and Facebook's announcement  
21 around Libra. Today, that's just a white paper. That  
22 actually isn't -- it isn't live. It hasn't launched.

23 And, you know, so I think the hype often gets  
24 ahead of reality in many technologies. And I think  
25 that's true in the crypto space as well.

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1 What I would encourage any person looking at  
2 this marketplace is to really understand what is real,  
3 what is not real, and understand, "Is there a use case?  
4 Is there a utility?"

5 Bitcoin -- I'm long bitcoin, and bitcoin, I  
6 think, has real utility around being a store of value.  
7 It's digital gold.

8 But, if a bitcoin transaction takes, on  
9 average, 12 minutes to confirm, and the transaction cost  
10 is over \$1.00 per transaction, that's not going to be  
11 great for a payment solution. So, around payments, we  
12 think XRP is uniquely and extremely well positioned to  
13 solve that payments problem.

14 It's extremely fast, at about three seconds  
15 per transaction, and it costs about a thousandth of a  
16 penny to actually enable that transaction. So, we often  
17 make the point that, while -- where bitcoin is very  
18 profound in solving that store of value, an XRP  
19 transaction's about a thousand times faster, and it's

20 about a thousand times cheaper per transaction.

21 MS. CHATTERLEY: I saw some Twitter traffic,  
22 one in particular, crypto bit law that's threatened to  
23 take over, because they say that you, the company, is  
24 dumping, that you're pushing supply out to the market.  
25 Can you explain to me the difference between XRP and

0007

1 bitcoin with regards supply and with regards --

2 MR. GARLINGHOUSE: Sure.

3 MS. CHATTERLEY: -- how much ownership Ripple  
4 itself actually has, as a proportion of XRP out there at  
5 this moment?

6 MR. GARLINGHOUSE: Okay, so the first thing to  
7 understand is these are all open source technologies.  
8 When people talk about, you know, forking technologies,  
9 you have seen bitcoin forked multiple times. You have  
10 bitcoin cash, bitcoin -- BSV, bitcoin cash, bitcoin  
11 diamond, bitcoin -- I can't name them all. There's four  
12 or five forks of the bitcoin block chain.

13 Bitcoin, obviously the primary BTC has  
14 remained, kind of, the most notable. But, in the same  
15 way, people can take XRP and open source technology, and  
16 hypothetically, they could fork that, if they chose to  
17 do so.

18 Now, around the ownership piece, as is the  
19 case with bitcoin, there's some big whales that were  
20 early in the bitcoin community. You know, there's one  
21 wallet that has a million bitcoin in it. Nobody knows  
22 who owns it.

23 In the XRP community, Ripple is the largest  
24 owner. And the point I have made is, we are the most  
25 interested party in the success of the XRP ecosystem.

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1 We're very focused on our use case, and how do we solve  
2 problems with XRP?

3 But, one of the things I'm excited about is,  
4 you're seeing a growing ecosystem of other players  
5 investing in other use cases around XRP. Just recently,  
6 we announced a partnership with Coil, which is doing  
7 micropayments for content.

8 So, next time you're reading a story on the  
9 Financial Times website, and you hit that pay wall, you  
10 hypothetically just pay, "Hey, here's a dime. Here's a  
11 quarter. Here's 50 cents," where today, you know,  
12 that's a pretty hard problem. And it -- companies like  
13 Coil are going to use XRP for those micropayment  
14 transactions.

15 So, yes, Ripple owns a lot of XRP. We're very  
16 interested in the success of XRP, but the accusations of  
17 us dumping, you know, that's not in our best interest to



18 do that. You know, we're clearly interested in a  
19 healthy, successful ecosystem, and so, we would never do  
20 that, and in fact, have taken steps to lock up most of  
21 the XRP we own into escrow such that we can't touch it.

22 MS. CHATTERLEY: Interesting, so -- but, you  
23 agree that you can control the price, to some degree,  
24 because ultimately --

25 MR. GARLINGHOUSE: Oh, no.

0009

1 MS. CHATTERLEY: -- the Ripple community has  
2 so much power. No?

3 MR. GARLINGHOUSE: No. I mean, if you look at  
4 the correlations between XRP and most of the crypto  
5 market, what are often called the alt coins, you see a  
6 very high degree of correlation. You know, Ripple can't  
7 control the price of XRP anymore than, you know, the  
8 whales can control the price of bitcoin.

9 You know, some of these markets, particularly  
10 smaller tokens that are -- you know, have a lower market  
11 cap and lower float, if you will, you know, they are at  
12 risk of people manipulating them. But, you know, you're  
13 talking about XRP trades, order of magnitude, a billion  
14 dollars.

15 According to coin market cap, it trades, you  
16 know, on an order of magnitude, a billion dollars a day  
17 of activity. So, I don't think anybody's in a position  
18 to really manipulate those prices.

19 MS. CHATTERLEY: It's quite funny. One of the  
20 big questions that I was asked when I was talking bout  
21 people about XRP, they said, "What price do you sell XRP  
22 to, to the financial institutions that you're dealing  
23 with here? Do you -- do you give them a discount and is  
24 there a lockup?" Can you answer those questions,  
25 because this kept coming?

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1 MR. GARLINGHOUSE: Yeah, sure. So, I mean,  
2 let's use Money Gram as the example. When Money Gram is  
3 moving money from U.S. dollar to Mexican peso, they're  
4 buying at market. They're not -- there's no, you know,  
5 special sweetheart deal there.

6 There are times when we work with  
7 institutional investors who might say, "Hey, we want to  
8 buy \$10 million of XRP." And we would have lockups that  
9 would prevent them from dumping -- you know, we don't  
10 want some other party buying a whole lot of XRP and  
11 dumping it on the market.

12 And so, we would hypothetically have  
13 restrictions about what they could sell and then what --  
14 you know, how often. And usually, those are based upon  
15 volume in the market.

16 MS. CHATTERLEY: Yeah, so you might give them  
17 at slightly cheaper, but you say, "Hey, you're not  
18 allowed to sell it for six months, let's say, or a  
19 year?"

20 MR. GARLINGHOUSE: Yeah. Correct. That's  
21 basically --

22 MS. CHATTERLEY: Yeah.

23 MR. GARLINGHOUSE: -- correct.

24 MS. CHATTERLEY: So, just at a time when  
25 cryptocurrency investments are battling to become more

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1 mainstream, a behemoth facing some skepticism on its own  
2 part is trying to enter the space. Facebook announced  
3 plans to launch its own cryptocurrency recently, Libra.  
4 Now, their scale could be potent. Could that be a bad  
5 thing or a good thing though, going forward? I asked  
6 Brad that very question.

7 MR. GARLINGHOUSE: I think it's been net good  
8 for the industry to bring the attention that Libra has  
9 brought on the industry. I think that part of the  
10 maturation of the industry is that transparency and that  
11 debate, that healthy debate. And so, net-net, I think  
12 it's been a good thing.

13 I think it's way too early to predict exactly  
14 what the implications are going to be. You know,  
15 Facebook obviously is a consumer-oriented company, came  
16 out and talked about how they're more aggressively  
17 competing with financial institutions. They highlighted  
18 Western Union as an example.

19 And so, our view is, "Hey, we can -- we can  
20 partner with those financial institutions," and help  
21 them solve a problem at scale that we've talked about  
22 here. So, I think it's too early to tell.

23 I think Facebook came out in a way that  
24 probably wasn't as engaging to regulators as maybe they  
25 could have been, and that stirred up a lot of concern.

0012

1 And it -- we've made the point that we shouldn't paint  
2 the entire crypto industry with a broad brush.

3 There's different types of projects. Some are  
4 trying to be very regulatory-compliant, like what Ripple  
5 is doing with XRP. There's also some that are trying to  
6 circumvent regulators, things like Monero that are  
7 intentionally trying to be -- you know, they're about  
8 anonymity.

9 And so, I think, you know, the -- as  
10 regulators look at the category, they just need to be  
11 thoughtful about not painting it with one broad brush.  
12 And that's what we've really tried to emphasize.

13 MS. CHATTERLEY: The CEO of Ripple.

(End of video.)

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Transcriber

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1 UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
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3 In the Matter of: )  
4 ) File No. NY-09875-A  
5 RIPPLE )  
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7 SUBJECT: Ripple CEO Brad Garlinghouse at the FinTech  
8 Insider on Tour Money20 20 Europe 2018 -  
9 YouTube\_5  
10 PAGES: 1 through 12  
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16 VIDEO TRANSCRIPTION  
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1 P R O C E E D I N G S  
2 Ripple CEO Brad Garlinghouse at the Fintech Insider  
3 Tour, Money20 20 Europe 2018 - YouTube\_5  
4 (Music Playing.)  
5 INTERVIEWER: Brad, we're here. We are here.  
6 MR. GARLINGHOUSE: Nice to see you again.  
7 INTERVIEWER: Yeah, good to see you. We just  
8 came offstage.  
9 MR. GARLINGHOUSE: Absolutely. It was very  
10 good.  
11 INTERVIEWER: That was interesting.  
12 MR. GARLINGHOUSE: Well done.  
13 INTERVIEWER: Thank you. No, thank you. Well  
14 done. There was a really loud bit of music in the  
15 background, but we got through it. We managed to talk  
16 about nostro vobis and your announcement today.  
17 MR. GARLINGHOUSE: I think as you pointed out,  
18 the music and the thumping was all about excitement  
19 around what we're doing with xRapid.  
20 INTERVIEWER: Absolutely. So, Brad  
21 Garlinghouse, CEO of Ripple, you had an announcement

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22 today. Do you want to remind us what it is?

23 MR. GARLINGHOUSE: Yes. We are very excited.  
24 You know, we've seen a lot of continued investment in  
25 the XRP ecosystem, but we, Ripple, wanted to go beyond

0003

1 that even, and we're working with 17 universities around  
2 the world where we're funding 50 million dollars,  
3 contributing that to those universities to further the  
4 investment in blockchain, in crypto. You know, this  
5 really is the workforce of the future.

6 INTERVIEWER: Mm-hmm.

7 MR. GARLINGHOUSE: And I think there's so many  
8 different ways these technologies can be used to  
9 catalyze industries, to change the way global commerce  
10 is flowing.

11 INTERVIEWER: Mm-hmm.

12 MR. GARLINGHOUSE: And I think using these  
13 technologies for that workless -- workforce of the  
14 future could really change the future.

15 INTERVIEWER: And this is about addressing  
16 some of the perceived centralization as well a little  
17 bit. Like you would see them running validators and  
18 things like that?

19 MR. GARLINGHOUSE: Certainly some of the  
20 universities we're working with are going to be running  
21 validators. It was important to us that this was really  
22 a philanthropic effort, and it wasn't just a hey, you  
23 know, we're going to do X, Y, and Z, and we want you to  
24 do these things. It was really stepping back.

25 And it's one of the reasons why we didn't even  
0004

1 require that the research in some of the -- there's a  
2 Ripple fellowship launching at the University of  
3 Pennsylvania. You know, it's not even required that  
4 it's just focused on XRP. It's -- look, we want to  
5 understand blockchain technologies broadly. We want to  
6 further the research and further the usage of those  
7 broadly.

8 INTERVIEWER: So, you guys, two core products,  
9 xRapid and xCurrent. So xCurrent being the one that  
10 people probably know. It's the cross-border Fiat to  
11 Fiat, and xRapid is based on XRP, the digital asset --  
12 the natively digital asset.

13 So, we separated those two on stage. I think  
14 we got through them. We talked about the business case  
15 for liquidity management and so on. But you guys sold,  
16 was it 170 million dollars of XRP, and you've kind of  
17 publicly disclosed all of that stuff --

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18 MR. GARLINGHOUSE: Correct.

19 INTERVIEWER: -- in Q1, and that's now  
20 building the war chest. Do you see a time in which that  
21 flips into being revenue from -- you know, kind of  
22 providing xRapid and xCurrent more so than selling XRP?

23 MR. GARLINGHOUSE: You know, we definitely  
24 continue to see both sides of the business grow quickly.

25 INTERVIEWER: Mm-hmm.

0005

1 MR. GARLINGHOUSE: We -- as we talked about on  
2 stage, we've signed up now more than a hundred customers  
3 on xCurrent. We're seeing more customers sign up on  
4 xRapid. We've publicly disclosed I think six or seven  
5 of those. Ultimately when we think about success it's  
6 how do we drive success of the XRP ecosystem broadly.

7 INTERVIEWER: Yeah.

8 MR. GARLINGHOUSE: We are one of many  
9 participants in that ecosystem. We are the most  
10 interested participant. You know, we own, as we talked  
11 about, 60 percent of all the XRP. One of the reasons  
12 why we're so proactive and transparent about what we do  
13 with XRP is because we want to be a steward of the  
14 industry.

15 INTERVIEWER: Mm-hmm.

16 MR. GARLINGHOUSE: We want to make sure  
17 there's total transparency, and so we do, as you  
18 referenced, send out a quarterly report and put it out  
19 there to share exactly what we see happening in the  
20 ecosystem, what we've sold, what others are doing, what  
21 we see happening, because we want everyone to  
22 participate and benefit from that ecosystem.

23 INTERVIEWER: And so, when you say everyone to  
24 participate and benefit, like pretty much anyone can buy  
25 the XRP if they were to go to a cryptocurrency exchange.

0006

1 So, who do you think is buying the XRP?

2 MR. GARLINGHOUSE: Well, I think -- I can't  
3 know who is buying XRP on, you know, Bitstamp or  
4 Kraken --

5 INTERVIEWER: Because it's the --

6 MR. GARLINGHOUSE: -- because it's their  
7 customers. You know, we certainly see more  
8 institutional interest. We, Ripple, you know, we sell a  
9 little bit of XRP ourselves directly.

10 INTERVIEWER: Mm-hmm.

11 MR. GARLINGHOUSE: Those are with  
12 institutional investors, institutional players.

13 But, you know, one of the things I think is

PX 503.24 Live\_tapes\_20200824\_Session\_2

14 exciting to see change a little bit in the crypto  
15 industry broadly, and we talked about this on stage, is  
16 I feel like two years ago, you know, the use case for  
17 crypto was kind of all about Silk Road or AlphaBay. And  
18 now you're seeing, you know, more of our people talk  
19 about well, now crypto's all about the speculator. And  
20 I think that's true, but I think that's also an  
21 evolution.

22 INTERVIEWER: So, is crypto for the  
23 speculator, or is it really lately actually for somebody  
24 else, is it for the institutions do you think?

25 MR. GARLINGHOUSE: Well I --

0007

1 INTERVIEWER: Or would you prefer to see it go  
2 that way?

3 MR. GARLINGHOUSE: Many industries are -- you  
4 know, let's choose a commodity like gold, let's use a  
5 commodity like oil. You know, speculators are part of  
6 those ecosystems, and they're an important part because  
7 they're providing liquidity to those ecosystems. So,  
8 many, many industries have speculators who participate.  
9 Ripple is focused on how do we focus on -- or how do we  
10 enable a institutional use case.

11 INTERVIEWER: Yeah.

12 MR. GARLINGHOUSE: We aren't trying to, you  
13 know -- I actually was quoted publicly as saying I  
14 cringe when people talk about promoting a digital asset.

15 INTERVIEWER: Mm-hmm.

16 MR. GARLINGHOUSE: Ripple never tries to  
17 promote XRP as a digital asset. We try to demonstrate  
18 its usefulness in product flows, in solving a real  
19 problem.

20 INTERVIEWER: But you're an organization I  
21 think where a lot of the founders have a lot of XRP.  
22 There's a lot of potential for conflict and that sort of  
23 thing. Your clients are the banks. How do you get them  
24 comfortable with the idea that like you hold a lot of  
25 XRP and the -- XRP's price isn't going to be volatile,

0008

1 that there's not going to be any compliance challenges  
2 coming down the road? How do you get them there?

3 MR. GARLINGHOUSE: Well, the first thought in  
4 terms of potential conflicts you described, that assumes  
5 that we actually could control the price of XRP.

6 INTERVIEWER: Mm-hmm.

7 MR. GARLINGHOUSE: Which I would say we can't.

8 INTERVIEWER: If you were to dump a lot of it  
9 on the market, though.



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10 MR. GARLINGHOUSE: Yeah, we actually now,  
11 as I think you probably know, we have it tied up in  
12 escrow --

13 INTERVIEWER: Yeah. (Crosstalk.)

14 MR. GARLINGHOUSE: -- and so we can't even do  
15 that. But it's important I think for any healthy market  
16 to not have a player controlling the market.

17 INTERVIEWER: Mm-hmm.

18 MR. GARLINGHOUSE: And I made a comment, not  
19 on stage but separately, Ripple the company had our best  
20 quarter ever in Q1.

21 INTERVIEWER: Mm-hmm.

22 MR. GARLINGHOUSE: We signed up more than a  
23 bank a week to production contracts.

24 INTERVIEWER: And production contract means  
25 that they intend to switch on xCurrent or xRapid.

0009

1 MR. GARLINGHOUSE: Real flows.

2 INTERVIEWER: Yeah.

3 MR. GARLINGHOUSE: Well, xCurrent or xRapid,  
4 yes. But real flows, real money, not experiments.

5 INTERVIEWER: And what's the balance there, is  
6 it mostly xCurrent still, is that the --

7 MR. GARLINGHOUSE: It's still mostly xCurrent  
8 for sure.

9 INTERVIEWER: Yeah.

10 MR. GARLINGHOUSE: And I think you're starting  
11 to see -- I mean, we just launched xRapid in the market,  
12 you know, Q3, Q4 last year. So, the point I wanted to  
13 make, though, is, you know, in a quarter where we had a  
14 record quarter and signed up more than a bank a week,  
15 the price of XRP went down 70 percent.

16 INTERVIEWER: Mm-hmm.

17 MR. GARLINGHOUSE: So, I think that the idea  
18 that, you know, these are --

19 INTERVIEWER: That correlates it.

20 MR. GARLINGHOUSE: Yeah. You know, look if  
21 the whole ecosystem is successful -- you and I have  
22 talked about this informally before, but I think the  
23 problem you see in the ICO market is so many of these  
24 tokens don't have usefulness.

25 INTERVIEWER: Mm-hmm.

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1 MR. GARLINGHOUSE: The long-term value of any  
2 digital asset would be derived by the usefulness of that  
3 digital asset, by the utility it delivers.

4 INTERVIEWER: And there's a gap between when  
5 it's initially available and when it becomes useful,

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6 there's this period of time. Like so if -- do you feel  
7 that speculators have been burned, and do you feel like  
8 there are sensible steps that the market as a whole  
9 should be taking to kind of --

10 MR. GARLINGHOUSE: I mean, have speculators  
11 been burned, I mean, massively.

12 INTERVIEWER: Yeah.

13 MR. GARLINGHOUSE: I mean, there have been  
14 outright frauds, right. You know, we've all read about  
15 these things. And, you know, I also made the comment,  
16 you know, experiments in blockchain or white papers are  
17 not a business model.

18 INTERVIEWER: Mm-hmm.

19 MR. GARLINGHOUSE: And for those that are, you  
20 know, focused on investing in those spaces, I would  
21 offer a lot of caution.

22 INTERVIEWER: Mm-hmm.

23 MR. GARLINGHOUSE: I think Ripple has been  
24 successful in part because we've been very focused on  
25 let's solve one set of problems for one set of

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1 customers. We've gone very deep there, and our momentum  
2 there has I think served us well.

3 INTERVIEWER: It is. Brad, thank you so much  
4 for being on FinTech Insider and Blockchain Insider with  
5 us. I'm sure we'll bump into you soon. And where can  
6 people find out more about you?

7 MR. GARLINGHOUSE: Ripple.com.

8 INTERVIEWER: Thank you for being with us.

9 MR. GARLINGHOUSE: Check us out. Thank you.

10 INTERVIEWER: Thank you.

11 MR. GARLINGHOUSE: Good to see you.

12 (End of video.)

13 \* \* \* \* \*

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I, Rhonda Markland, hereby certify that the foregoing transcript consisting of 11 pages is a complete, true and accurate transcription of all matters contained on the recorded proceedings, Ripple CEO Brad Garlinghouse at the FinTech Insider on Tour Money20 20 Europe 2018 - YouTube\_5, in the matter of RIPPLE, File Number NY-09875.

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Transcriber

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1 UNITED STATES SECURITIES AND EXCHANGE COMMISSION

2

3 In the Matter of: )

4 ) File No. NY-09875-A

5 RIPPLE LABS, INC. )

6

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8 XRP on Fintech Beat with Chris Brummer

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1 P R O C E E D I N G S

2 Brad Garlinghouse The \_Bridge\_ Currency XRP on Fintech

3 Beat with Chris Brummer

4 MR. BRUMMER: Well, not quite. I'll be  
5 talking about more than just the Benjamins. Welcome  
6 to Fintech Beat where finance, technology, and policy  
7 come together. I'm your host, Chris Brummer. The  
8 future of finance is now.

9 There are lots of cryptocurrencies but only  
10 a couple of household names in the industry. One,  
11 however, is Brad Garlinghouse. Now, Brad is the CEO  
12 of Ripple, a digital currency firm building  
13 applications and infrastructures supporting the  
14 digital asset XRP, which is supposed to operate like a  
15 bridge currency, connecting government-backed fiat  
16 currencies for international remittances.

17 Now, Ripple is a bit unusual from most  
18 crypto firms, in part because they actually have  
19 active clients, plus XRP, the cryptocurrency Ripple  
20 supports and owns roughly 50 percent of, enjoys the  
21 third highest market capitalization in the world. And  
22 as such, it enjoys hoards of devoted fans across the  
23 world. But the firm has faced some uncertainty about  
24 the legal status of XRP and like all cryptocurrency  
25 firms, is operating in an age of growing confusion and

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1 skepticism in the wake of Facebook's widely criticized  
2 announcement that it, too, would launch its own  
3 cryptocurrency called Libra.

4 I had invited Brad to speak at Washington's  
5 Fintech week, a conference I ran this year with CQ  
6 Roll Call, Georgetown Law, and the Institute of  
7 Financial Markets, and he agreed to not only speak at  
8 the conference but to also sit down with me on the  
9 sidelines for a special conversation for the podcast.  
10 Now, although I had attended a Ripple event at  
11 Berkley, and Ripple's non-profit organization that  
12 supported blockchain research at Georgetown, I had  
13 never met the man, and I wanted to know just what  
14 makes him tick and how he operates in an age of  
15 uncertainty.

16 MR. BRUMMER: We are absolutely delighted to  
17 have Brad Garlinghouse, the CEO of Ripple here on  
18 Fintech Beat to talk to us a little bit obviously  
19 about Ripple, but also cryptocurrencies and other big  
20 things happening in Washington, D.C.

21 Brad, thank you so much for joining the  
22 show.

23 MR. GARLINGHOUSE: Chris, thank you very  
24 much for having me. It's good to be here.

25 MR. BRUMMER: Well, you know, this has been  
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1 a pretty astounding couple of weeks in the world of  
2 crypto, especially crypto policy. We also had last  
3 week some of Mark Zuckerberg's comments on the -- on  
4 the Hill. I -- I just wanted to first get your  
5 perspective as one of the leading lights out there in  
6 crypto world.

7 When you see these conversations on Capitol  
8 Hill about Libra and about cryptocurrencies more  
9 generally, I mean, what do you usually think? I mean,  
10 are you happy about the attention that it's  
11 generating? Or do you have concerns? What's -- how  
12 do you feel?

13 MR. GARLINGHOUSE: The first thing I think  
14 is kind of almost the macro oh my gosh how far we've  
15 come.

16 MR. BRUMMER: Yeah.

17 MR. GARLINGHOUSE: You know, I joined Ripple  
18 about four and a half years ago and first was exposed  
19 to Bitcoin about a couple years before that, and you  
20 know had you told me that we would be living in a  
21 world where there would be Congressional hearings last  
22 week with, you know, the CEO of one of the most  
23 valuable companies on the planet, if we had the  
24 President of the United States tweeting out about  
25 cryptocurrencies, regardless of the content of either  
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1 of those --

2 MR. BRUMMER: The president is tweeting out

3 about crypto, yeah.

4 MR. GARLINGHOUSE: I would not have  
5 predicted that when I joined Ripple four and a half  
6 years go.

7 You know, how does it make me feel? It  
8 makes me feel enthusiastic because I think the -- some  
9 of these conversations need to be have -- need to be  
10 had, and we have to work through some of the questions  
11 that these new technologies represent and what they  
12 may change.

13 I do think though, and you kind of  
14 introduced into your question, I -- I think there is  
15 some risk with extra attention and scrutiny comes  
16 what -- what will -- how will regulations change?

17 MR. BRUMMER: Yeah.

18 MR. GARLINGHOUSE: And you know, for Ripple  
19 we have tried very hard to work within the frameworks  
20 that exist, leaving aside the question around how to  
21 classify different digital assets, banking regulatory  
22 frameworks are actually pretty clear. You know, and  
23 we have kind of taken the position that we're not  
24 chain a KYC requirement, an AML requirement, OFAC  
25 compliance, all these different acronyms that go with  
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1 regulation of banking, which is important. And so it  
2 makes me excited --

3 MR. BRUMMER: The wonderful mix of acronyms  
4 that --

5 MR. GARLINGHOUSE: Yes.

6 MR. BRUMMER: -- that makes for a financial  
7 regulation.

8 MR. GARLINGHOUSE: Alphabet soup, yeah.

9 MR. BRUMMER: Yeah. Part of -- at least I  
10 get the sense when I both participated in some of  
11 these hearings, and as I've looked on from afar, is  
12 that people are trying to get information. I mean,  
13 there are literally thousands of cryptocurrencies out  
14 there and you know, there's a spectrum more or less  
15 between, you know, the average American may have heard  
16 of Bitcoin and because of hearings like the one with  
17 Mark Zuckerberg, you know, they -- they know that  
18 Facebook has some kind of cryptocurrency and they may  
19 or may not know the word Libra, but then you get to  
20 something like XRP, and even as -- as much interest  
21 as -- as you've generated and particularly in the  
22 crypto community, I think it's useful to walk our  
23 listeners through, sort of, where in-between Bitcoin  
24 and Libra XRP is -- is located, and what is it  
25 supposed to do, and how does it differentiate itself  
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1 from -- from those sort of two poles?

2 MR. GARLINGHOUSE: Perfect. Well, I'll  
3 start by pointing out that, I mean, today we say  
4 Libra, and I think I always make a point of inserting

5 the word "white paper."

6 MR. BRUMMER: (Laughs) Yeah, that's true.

7 MR. GARLINGHOUSE: So the Libra White Paper,  
8 as contrasted with Bitcoin, we're way further over on  
9 the -- the Bitcoin side of things. And actually, I  
10 would even say in some ways on the other side of the  
11 Bitcoin side, meaning you know, today Libra's a white  
12 paper, it's an idea, there's no working activity. You  
13 know, Bitcoin actually is obviously a working network  
14 and solving a store of value problem.

15 You know, with XRP, and what -- how Ripple  
16 uses XRP, it is really solving -- it's a utility.  
17 It's solving a real problem. And I think the  
18 maturation of this industry arguably, you know, yeas  
19 ago started with kind of serving Silk Road. I think  
20 we all acknowledge that happened, and you know --

21 MR. BRUMMER: That wasn't the best --

22 MR. GARLINGHOUSE: It did.

23 MR. BRUMMER: That wasn't the best use of --

24 MR. GARLINGHOUSE: It wasn't the highlight.

25 But then we kind of moved into this phase of arguably  
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1 over rampant speculation. Now, that's one of the few  
2 examples you say, well, that's progress.

3 MR. BRUMMER: Yeah.

4 MR. GARLINGHOUSE: Now, speculation is  
5 probably not the -- I certainly don't think it's  
6 anywhere close to the in point, and it -- you know, I  
7 think what we're graduating to in 2019 and certainly I  
8 think we'll see more in 2020, is real use cases,  
9 solving real problems, and I think people are figuring  
10 out these different assets, how these different  
11 technologies can be applied to solve real problems.

12 One of the challenges Silicon Valley, and  
13 you know, I've lived there a long time, but Silicon  
14 Valley sometimes has a technology in search of a  
15 problem versus a problem in search of a technology.  
16 And for Ripple, we've been very clear about what  
17 problem we're trying to solve. Some people in the  
18 crypto community, I think, still -- they're trying to  
19 solve problems that I'm not sure are real problems.

20 MR. BRUMMER: So what exact problem are --  
21 are you trying to solve?

22 MR. GARLINGHOUSE: Ripple is solving a  
23 problem with regard to how correspondent banking --  
24 and correspondent banking is the -- the interplay  
25 between cross border banks. So if I want to send  
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1 Chris Brummer 10,000 pounds in the U.K., today the way  
2 the banking system works is banks have pre-funded  
3 accounts in other currencies, and that's kind of  
4 dormant capital sitting there and waiting for it to be  
5 activated -- waiting for a payment to be activated.  
6 That's -- there's an opportunity I think to decrease



7 that prefunded amount and make the whole system much  
8 more efficient.

9 So today, order of magnitude, you have about  
10 \$10 trillion in these prefunded accounts. If we can  
11 reduce that by half by using these digital assets to  
12 shuttle liquidity in real time, then I think you  
13 dramatically improve frankly global commerce. You're  
14 reducing friction. That's a good thing. You're  
15 increasing speed. That's a good thing. And I mean  
16 this for all levels of participation, from big  
17 companies to people who are truly unbank today.

18 MR. BRUMMER: XRP, your cryptocurrency, sort  
19 of operates with a couple of institutionalized  
20 services that -- that you provide, and I'm only  
21 walking folks through this --

22 MR. GARLINGHOUSE: Yeah.

23 MR. BRUMMER: -- because I think it's really  
24 important to stress just how different all the  
25 different cryptocurrencies are, and -- and you guys

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1 have different kinds of products that -- that  
2 facilitate that cross border financing and a flow of  
3 money powered by, in effect, that cryptocurrency. Is  
4 that a safe generalization?

5 MR. GARLINGHOUSE: Yeah. I'm going to  
6 correct one thing at first.

7 MR. BRUMMER: Yeah.

8 MR. GARLINGHOUSE: I mean, Ripple uses an  
9 open-source technology, the XRP Ledger. It's not "our  
10 XRP." We own a lot of XRP and so we care about the  
11 health, the vibrancy and activity, but one of the  
12 misperceptions that creates lots of confusion in the  
13 marketplace is XRP is a separate open-source  
14 technology.

15 Our tech stack uses XRP, and we use XRP  
16 frankly because it's far more efficient than, I'll use  
17 Bitcoin, or Ether, for that matter. And I say more  
18 efficient as measured by cost per transaction.

19 So on average today, a Bitcoin transaction  
20 costs about \$1.80 and takes, I think last I saw was  
21 around 10 minutes. By contrast, an XRP transaction is  
22 about 1/1000th price and 1,000 times faster per  
23 transaction. So I'm actually a bullish Bitcoin. I  
24 happen to own Bitcoin. I don't think Bitcoin's going  
25 to solve the payments problem because it's too slow

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1 and too expensive on a per transaction basis. I mean,  
2 yeah, it only can enable about seven transactions per  
3 second.

4 MR. BRUMMER: And -- and the way in which --  
5 how would you describe, not just the difference in  
6 terms of the efficiency of the payment operation, but  
7 one of the frequent descriptors used for XRP is -- a  
8 bridge currency versus a pure cryptocurrency.

9 MR. GARLINGHOUSE: Yeah.

10 MR. BRUMMER: You know, what does that mean  
11 in practice?

12 MR. GARLINGHOUSE: Yeah, I'm thrilled you're  
13 asking this question because I think one of the great  
14 misperceptions in this whole space, and I recognize  
15 that not everyone agrees with me on this, we talk  
16 about these as cryptocurrencies, so let's define, what  
17 does that mean, a "currency"?

18 Now, for me in a kind of just layman's  
19 English kind of way, a currency is what I can walk  
20 into Starbucks and buy a cup of coffee with. None of  
21 these are currencies today. None. And I actually  
22 would go so far as to argue the consumer use case for  
23 these really to be currencies, in other words in a  
24 consumer's hands, I don't know what problem that's  
25 solving in major economies, in major I'll say G-20  
0012

1 markets.

2 G-20 markets represent, you know, I think 90  
3 percent of global GDP. And I, again, I know often  
4 times people point out that there's lot of non-G-20  
5 markets where I get it.

6 MR. BRUMMER: Yeah.

7 MR. GARLINGHOUSE: You got an inflation  
8 problem, I mean, you know, those countries often times  
9 have already lost control of their monetary supply and  
10 so I'm not making that argument. But currency to me  
11 suggests a use case around fiat that I don't -- we  
12 don't think about XRP as we're championing a consumer  
13 fiat experience.

14 Libra, when it first came out, I think it  
15 shifted. The white paper, I think originally it was  
16 kind of hey, we're going to be a new fiat currency; I  
17 think they've shifted that a little bit. But XRP we,  
18 think about as an institutional shuttling of value  
19 between different liquidity pools, if you will. So  
20 today the partnership we have with MoneyGram, they're  
21 going dollar to Mexican peso.

22 Prior to our partnership with them, they  
23 would have to prefund every four or five days, you  
24 know, many millions of dollars into Mexican peso and  
25 it would sit there and wait until, you know, debits,  
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1 debits, debits. Well, now they can multiple times a  
2 day move on a treasury basis; it's not every time  
3 Chris walks in and make a payment, it's, you know, the  
4 treasury operation has gone from every four or five  
5 days to multiple times per day and that makes their  
6 treasury operations much more efficient.

7 MR. BRUMMER: When you think through then  
8 that particular use case, is that particular use case  
9 one that distinguishes itself from Bitcoin also  
10 because of, you know, the allied services that can be

11 created around it? So the reason why I'm just  
12 bringing this up is when you think through Bitcoin and  
13 Libra, there are other kinds of cryptocurrencies, some  
14 of which claim advantages with programmability. Some  
15 claim advantages in terms of the broader ecosystem in  
16 which they are relating. Some obviously go so far as  
17 to make certain kinds of claims in terms of the  
18 interface with retail customers. You all are -- are  
19 sort of going in between that and sticking more on  
20 that institutional end.

21 MR. GARLINGHOUSE: Yeah. I -- look, I --  
22 maybe I'm not smart enough to know exactly how the  
23 consumer angle for cryptocurrencies plays out, I'm  
24 just making the argument that today in G-20 markets,  
25 you know, I -- I did go to Starbucks this morning, I

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1 happened to use cash, but I could have used my Visa, I  
2 could have used my Starbucks app, but it was all USD  
3 denominated and it's super-efficient. I recognize  
4 that, you know, had I used my Visa that Visa might  
5 have taken 150 bps -- I don't know what their  
6 agreement with Starbucks is, maybe it's 100 bps -- you  
7 know, but it's -- it's small enough that I think  
8 it's -- it's not material.

9 I think one of the challenges for the crypto  
10 community broadly, and as you talk about the different  
11 use cases, you know, many years ago when I was at  
12 Yahoo! I penned this document called the "Peanut  
13 Butter Manifesto." And the idea behind the Peanut  
14 Butter Manifesto is that Yahoo! was spreading itself  
15 too thinly across lots of different initiatives. In  
16 the crypto community, I think the best counsel I can  
17 give any entrepreneur thinking about being in this  
18 space, is be really focused and really clear about the  
19 problem you're solving and go deep with that customer  
20 segment.

21 What I think has given Ripple a lot of  
22 momentum is early on we decided here's the problem  
23 we're trying to solve around correspondent banking, we  
24 know who that customer is, we know how to target them,  
25 we know how to build technology and products for them,

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1 and I look at some of what's going on and, you know,  
2 you talked about programmable money, if you will,  
3 that's a great, interesting concept but like, you  
4 know, it's kind of, if I'm a customer, how -- what do  
5 you want me to do with that? We have thought very  
6 hard about like how do you go to market? How do you  
7 understand that customer?

8 Serve that customer? And you know, I think  
9 some of the projects in the crypto space have had a  
10 peanut butter problem of being far too broad, far too  
11 many use cases, far too many just generic stuff as  
12 opposed to go deep and really understand that

13 customer.

14 MR. BRUMMER: So depth, as opposed to sort  
15 of breadth --

16 MR. GARLINGHOUSE: Breadth, yeah.

17 MR. BRUMMER: -- kind of a business  
18 strategy.

19 So moving back, you know, to -- to the, you  
20 know, we're in Washington, D.C., and we're all about  
21 policy and regulation and at the same time the  
22 regulators are trying to grapple with understanding  
23 cryptocurrencies, as much as they are concerned with  
24 regulating them, and there's this -- an enormous  
25 amount of energy, regulatory administrative energy,

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1 sort of, devoted towards thinking through what, you  
2 know, qu'est-ce que c'est, you know, what -- what  
3 exactly cryptocurrencies are.

4 And you know, part of that -- that  
5 uncertainty is uncertainty on the regulatory end and  
6 then it's also -- leads to uncertainty for the market  
7 participants, and then it -- it sort of creates a --  
8 this circle or cycle of response and counterresponse,  
9 and XRP has had to live with that kind of uncertainty.  
10 Some people say it's a security, and others absolutely  
11 not. But how exactly from a business end do you both  
12 navigate the uncertainty? And then even more  
13 fundamentally, what is it?

14 What kinds of tools do you think regulators  
15 could use or -- or could be helpful to regulators to  
16 provide real time kind of input for a lot of the  
17 people who are thinking about entering into that space  
18 to create a cycle that's a little bit more -- with  
19 more immediacy, both on the regulatory end, also on the  
20 market participant end, to sort of more through some  
21 of the -- the big regulatory unknowns?

22 MR. GARLINGHOUSE: So one of the reasons why  
23 I love that you're doing programming like this is  
24 because I think it's clear to me that, not just in  
25 Washington but really more broadly than that, the

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1 amount of misinformation I often refer to as FUD --  
2 fear, uncertainty and doubt -- it's born, I think, of  
3 almost a tribalism within the crypto world where  
4 different parts of the community are tribal about  
5 their particular -- I mean, I would also refer to it  
6 as almost religious -- they're praying at the altar of  
7 one project versus another project, and I think that  
8 has fueled a lot of misinformation, which makes it  
9 frankly hard for regulators.

10 It makes it hard for Washington, D.C. to  
11 understand. And look, I -- I mean, even while I have  
12 been in Washington, you know, meeting you, I've had  
13 some other meetings and I'm still a little bit amazed  
14 some of the questions I get. They're like, okay,

15 we've got a long way to go, and I think we, the  
16 industry, do ourselves a disservice by spending the  
17 energy kind of throwing shade on other projects, as  
18 opposed to like I fundamentally believe to you, and I  
19 mean very genuinely, at Ripple, you know, we have  
20 invested a lot of money in the crypto community  
21 broadly and projects, some touching XRP, some not  
22 touching XRP, because I think all boats will rise.

23 If the crypto community -- the ecosystem,  
24 the industry grows, that's going to be good for  
25 Ripple. I feel -- I'm 100 percent confident about

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1 that. And so I'm spending time in D.C. and with you  
2 because I -- I want people to better understand these  
3 things.

4 Now, you also asked a little bit -- talked  
5 about XRP. I mean, there is uncertainty. The SEC  
6 came out roughly, I mean, almost 18 months ago, order  
7 of magnitude, and say Bitcoin's not a security, and  
8 shortly thereafter said Ether's not a security, then  
9 they stopped, and they have gone kind of to the other  
10 end of the spectrum and gone after, you know, some  
11 enforcement actions on specific projects. You know,  
12 that has created a little bit of uncertainty.

13 You know, you asked how do you operate in  
14 uncertainty? You know, my attitude is we're going to  
15 keep solving a customer's problem. We're going to  
16 keep building. We're going to be building new  
17 products, we're going to sign up new customers. We've  
18 been fortunate because we're -- we've gained a ton of  
19 momentum, frankly post-before that 18 months ago, but  
20 even since then, and you know, it -- it's gone really,  
21 really well for us. And I think it's just because  
22 we're like, look, our -- we're heads down solving a  
23 customer problem, we're selling it, we're deploying  
24 it, we're making good progress. It's very clear to me  
25 that XRP's not a security.

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1 You know, other consequential regulatory  
2 bodies like the U.K.'s regulatory -- regulators of  
3 consequence have said that. In Japan, they say that.  
4 And Singapore. I understand the SEC has a hard job.  
5 I also think, you know, when you're a hammer,  
6 everything's like a nail and I think, you know, with  
7 the SEC sometimes everything might look like a  
8 security. You know, we can talk more about this if  
9 you would like, but you know, I -- I think that we'll  
10 continue to have conversations with regulators  
11 globally and help them understand and educate and you  
12 know, clear up misperceptions and see what -- I'm  
13 confident that we'll end up in good place

14 MR. BRUMMER: You know, part of the work  
15 also when you think about crypto is, okay, so you have  
16 that regulatory uncertainty piece, and then you

17 also -- because for Ripple in particular, trying to  
18 work with even the legacy financial institutions to  
19 sort of say, hey, we have this new product, you know,  
20 what do you think is the hardest part of solving that  
21 uncertainty for them? That is, sort of explaining to  
22 them what you do and to explain to them, you know,  
23 here's my use value and my -- and my value  
24 proposition.

25 MR. GARLINGHOUSE: Yeah.

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1 MR. BRUMMER: Because as you had mentioned,  
2 you know, between Silk Road and the speculation, and  
3 so I'm -- I'm sure some of the more established  
4 players on Wall Street just want to know, okay, so  
5 what is it?

6 MR. GARLINGHOUSE: Yeah. It's a good  
7 question, and I -- I think it's kind of interesting.  
8 I'll give you a couple specific anecdotes.

9 I do spend, I don't know, 20 to 25 percent  
10 of my time talking to regulators globally, and I spend  
11 that time explaining to them that this isn't about  
12 Silk Road and every transaction that goes through  
13 Ripple's technology is KYC, know your customer. It's  
14 checked for AML. It's checked for that alphabet soup  
15 that we have talked about.

16 I don't think -- well, MoneyGram would be  
17 another interesting anecdote. When we sign that deal,  
18 before going live, before announcing the deal, we  
19 spent time with them briefing their regulators of  
20 consequence about how this worked, and once they  
21 understood that we're -- we're using it at an  
22 institutional level, there are no anonymous  
23 transactions, like once they understand the basics  
24 it's like oh, so this is just a better way to manage  
25 your treasury operations, they're like okay, great. I

0021

1 mean, you know, and we were on the phone with lots of  
2 regulators that MoneyGram -- that regulate MoneyGram  
3 today because before they wanted to announce that deal  
4 they wanted to make sure they understood what was  
5 going on, and this was -- there's nothing to hide  
6 here. I was incredibly pleased to see the reaction we  
7 got from regulators across the board with MoneyGram  
8 because they were like okay, great, and we've charged  
9 forward, and it's worked out really well.

10 MR. BRUMMER: Oh yeah. And it is -- it is  
11 very interesting, and just going back to your original  
12 sort of white paper, you know, spectrum to the actual  
13 operations, you know, going concern example --

14 MR. GARLINGHOUSE: Yeah.

15 MR. BRUMMER: -- for crypto, when you look  
16 forward and you think about the -- the  
17 institutionalization or the adoption by the sort of  
18 legacy institutions between, you know, banks and



19 fintech firms -- other kinds of fintech firms, how do  
20 you see that -- that playing out in the sector? And  
21 also, you know, do you have any -- any -- well, I was  
22 about to say, and how much is XRP worth? But -- but  
23 before the market question, but just the adoption  
24 question, you know, what do you see as -- as the  
25 adoption and the speed or pace of adoption in your  
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1 banking and the non-bank fintech sector?

2 MR. GARLINGHOUSE: Yeah. Well, a couple  
3 things. One is, I think in the adoption of fintech  
4 technologies and the industry, I -- I think anything  
5 that's championing what I'll call regulatory  
6 arbitrage, I think there's very limited upside there.  
7 I think there are examples where I see companies  
8 taking advantage of a imbalance in regulatory  
9 frameworks and yes, you can capitalize on that, I just  
10 think that's a short-term opportunity. Exactly, the  
11 playing field will be level.

12 You know, on XRP itself, and really I would  
13 say crypto broadly, I have publicly said before, you  
14 know, 99.9 percent of all crypto trading is  
15 speculation today. The amount of real utility you're  
16 talking about is very, very low and I -- that's true  
17 within the XRP community, as well.

18 Now, I've also said like you can watch. It's  
19 a public ledger. You can see, you know, where volumes  
20 are growing, contracting, and we -- we've talked  
21 publicly about -- partly because of MoneyGram, as well  
22 as some other customers where they are using what we  
23 call on-demand liquidity, which is that product that's  
24 moving so you don't have to prefund that I was  
25 describing earlier, and you can see that the volume of  
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1 transactions between XRP and the Mexican peso at a  
2 time when crypto trading dropped by about 50 percent  
3 over the summer, that volume grew by more than 50  
4 percent. That's because there's really utility.  
5 It -- and that's a growing amount of traffic, and  
6 we're continuing to grow that amount of traffic. And  
7 so you can see, you know, what is going on, you know,  
8 what percentage of XRP to MXN, Mexican peso  
9 transactions, as that grows it's a pretty safe bet  
10 that a larger and larger percentage of that is  
11 actually utility not speculation.

12 We have seen some individual days where over  
13 80 percent of volume between XRP and MXN was actually  
14 payment flows for -- through our on-demand liquidity  
15 product. So that means only 20 percent --

16 MR. BRUMMER: (Indiscernible).

17 MR. GARLINGHOUSE: -- was, you know, just  
18 people speculating and trading.

19 MR. BRUMMER: Well, I guess we're -- we'll  
20 end sort of a little bit where we began and -- and

21 talking a little bit about utility. One of the big  
22 developments sort of in crypto world is development of  
23 stable coins as -- as alternative payment instruments.  
24 And Libra, okay some people say was a stable coin,  
25 some people say it's not, I would be curious to get  
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1 your --

2 MR. GARLINGHOUSE: Well, right now it's just  
3 a white paper.

4 MR. BRUMMER: Right now, it's just a  
5 white -- that's --

6 MR. GARLINGHOUSE: It's another. It's a  
7 white paper.

8 MR. BRUMMER: It's neither. I mean, but how  
9 do you view that development? And how do you see it  
10 impacting your work?

11 MR. GARLINGHOUSE: Well, I think stable  
12 coins, obviously, have been a fascinating evolution.  
13 As you said earlier, you know, this whole industry  
14 continues to evolve at such a pace it's pretty  
15 fascinating. I don't think stable coins are really  
16 material until maybe two or three years ago. And I  
17 would say in some ways they've exceeded my  
18 expectations in terms of the problem they're solving.

19 I think stable coins are definitely here to  
20 stay. For us, they don't really change -- I mean, if  
21 you have 50 stable coins, you still need  
22 interoperability between them. You need liquidity.  
23 You know, kind of -- what Ripple's trying to do is  
24 really analogous to the internet of information, where  
25 you had -- if you're old enough to know, Prodigy and  
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1 CompuServe and AOL, you know, non-interoperable  
2 datasets, and then along comes TCPIP and HTTP and you  
3 created interoperability, and the Internet kind of  
4 destroyed the Prodigy. And I think the way we look  
5 about -- at these closed networks is Ripple is  
6 enabling technology to allow interoperability between  
7 the payment networks. So if I'm a Paytm customer in  
8 India, the largest mobile wallet provider in India  
9 with a couple hundred million digital wallets, and I  
10 want to get a payment to my mom on Mother's Day on  
11 Paytm from my BAML account, like today -- you know, I  
12 even say that, I think oh my god, like how would you  
13 do that? Right. I got \$50 in my BAML account, how  
14 would I move it to a Paytm account? Good luck. And  
15 chances are you cannot -- if you tried to move 50, by  
16 the time you got the money there, all of it would be  
17 gone or most of it would be gone.

18 MR. BRUMMER: It would be a lot less than  
19 50.

20 MR. GARLINGHOUSE: It would be a lot less.  
21 It probably would all be gone.

22 You know, why do we think about those not as



23 just interoperable networks and we can move money from  
24 one to other seamlessly at extremely low cost and  
25 extremely fast? That's the vision we have for the  
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1 future. And I think there's so many examples that,  
2 you know, I think unlocks value for consumers, for  
3 businesses, and really accelerates global commerce.

4 MR. BRUMMER: Brad, thank you again so much  
5 for dropping by. This has been a fascinating  
6 conversation.

7 MR. GARLINGHOUSE: Thanks, Chris. Thanks  
8 for having me.

9 MR. BRUMMER: So let me tell you that Brad  
10 Garlinghouse is one of the most interesting persons in  
11 the world to talk to. He's smart, quick on his feet,  
12 and pretty darn funny, so I'm pretty sure that some of  
13 you may be interested in learning even more from Brad  
14 about Ripple, and how XRP could one day interface with  
15 not only fiat currencies, but also stable coins,  
16 Libra, and central bank digital currencies. So for  
17 this podcast, I wanted to leave you with a small  
18 excerpt of our conversation on stage during Fintech  
19 Week. If you want more, the full discussion can be  
20 found on CQ Roll Call's Fintech Beat web page.

21 (Fintech Week conversation excerpt)

22 MR. BRUMMER: One of the -- the questions  
23 that was always sort of, is tagged along with the  
24 conversations on Libra is, you know, are people able  
25 to just differentiate the different cryptocurrencies?

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1 And each one, particularly the more established  
2 cryptocurrencies, but even some of the -- the sort of  
3 startup cryptocurrencies have varying, you know,  
4 ecosystems with -- with the different --

5 MR. GARLINGHOUSE: Right.

6 MR. BRUMMER: -- features to them. So maybe  
7 you can just walk our audience through, you know, what  
8 Ripple does? And to walk through the X -- what the  
9 particular cryptocurrency of XRP is designed to do?

10 MR. GARLINGHOUSE: Yeah, so in its simplest  
11 form, Ripple is an enterprise software company that  
12 sells software to banks and financial institutions.  
13 We use as part of our tech stack a -- a open-source  
14 digital asset called XRP. We own a lot of XRP, and so  
15 we are certainly interested in the success of that  
16 broadly defined. But you know, I think there's a lot  
17 of intentional misinformation and sometimes just  
18 confusion in the marketplace about what is Ripple  
19 versus what is XRP? You know, and that has, I think  
20 the misinformation or the FUD that gets sprayed, I  
21 think it's kind of bad for the whole industry and  
22 makes it harder. I mean, I -- you know, Chairman  
23 Clayton, who I think it's also just a huge sign of how  
24 far -- far we've come, that the Chairman of the SEC's

25 is coming here and spending time with us is I think a  
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1 big positive deal. I gave him a huge shoutout and  
2 round of applause for that.

3 MR. BRUMMER: Yeah.

4 MR. GARLINGHOUSE: I -- I think it's -- the  
5 misinformation makes it harder for regulators to do  
6 their job. You know, as Chris knows, you know, one of  
7 the announcements that Ripple has made this week is  
8 we're opening a D.C. office at a time when I think a  
9 lot of companies in the space are running away from  
10 D.C.; we're running towards D.C. We announced the  
11 creation of the office, and Michelle Bond, whose here,  
12 is going to be leading that office. And we announced  
13 that Craig Phillips, who formerly was a counselor to  
14 Secretary Mnuchin in the Treasury, joined our board of  
15 directors.

16 I think they're both indications that we are  
17 continuing to invest in making sure there's clarity in  
18 Washington, clarity frankly globally with how digital  
19 assets -- you know, the different functions that it  
20 informs.

21 I think as Chris knows, I -- I think it's  
22 very dangerous to paint any industry with one broad  
23 brush, and I think that's certainly to -- true in the  
24 crypto community. And when that happens, I think  
25 we're doing a disservice to those that are maybe

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1 working more constructively with industry, as opposed  
2 to those who are trying to circumvent regulation and  
3 circumvent laws.

4 The challenge sometimes in Silicon Valley,  
5 the echo chamber I was referring to earlier is you  
6 have technologies in search of a problem, versus a  
7 problem in search of a technology. And I think for  
8 tier one economies, let's say the G-20, it's not clear  
9 to me that the currencies in those markets -- you  
10 know, the dollar works well, the yen works well, the  
11 euro works well, and I don't see these things as  
12 penetrating consumer use cases at scale any time soon.

13 MR. BRUMMER: Brad, thank you so much for  
14 coming today.

15 MR. GARLINGHOUSE: Thank you.

16 MR. BRUMMER: I appreciate your time.

17 (End of video file.)

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Beat with Chris Brummer.

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